FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **2000-02-09**
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FILER

PETS COM INC
CIK:**1100683**| Fiscal Year End: **1231**
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SIC: **5990** Retail stores, nec

Mailing Address
435 BRANNAN STREET
SAN FRANCISCO CA 94107

Business Address
435 BRANNAN STREET
SAN FRANCISCO CA 94107
4152229999

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 9, 2000

REGISTRATION NO. 333-92433

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PETS.COM, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
<S> <C> <C>

DELAWARE	5999	95-4730753
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</TABLE>

435 BRANNAN STREET
SUITE 100
SAN FRANCISCO, CA 94107
(415) 222-9999

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JULIA L. WAINWRIGHT
CHIEF EXECUTIVE OFFICER
PETS.COM, INC.
435 BRANNAN STREET
SUITE 100
SAN FRANCISCO, CA 94107
(415) 222-9999

(NAME, ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>
<S> <C>

JOHN V. BAUTISTA, ESQ. FRANCES JOHNSTON, ESQ. JOHN DUGAN, ESQ. VENTURE LAW GROUP A PROFESSIONAL CORPORATION 2800 SAND HILL ROAD MENLO PARK, CA 94025 (650) 854-4488	KEVIN P. KENNEDY, ESQ. SHEARMAN & STERLING 1550 EL CAMINO REAL MENLO PARK, CA 94025 (650) 330-2200

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

[greenpaw.eps]

SUBJECT TO COMPLETION,

PRELIMINARY PROSPECTUS DATED FEBRUARY 9, 2000

PROSPECTUS

7,500,000 SHARES

LOGO

COMMON STOCK

This is Pets.com's initial public offering of common stock. The U.S. underwriters are offering 6,000,000 shares in the U.S. and Canada and the international managers are offering 1,500,000 shares outside the U.S. and Canada.

We expect the public offering price to be between $9.00 and $11.00 per share. After pricing this offering, we expect that the common stock will be quoted on the Nasdaq National Market under the symbol "IPET."

INVESTING IN THE COMMON STOCK INVOLVES MATERIAL RISKS WHICH ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 5 OF THIS PROSPECTUS.

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	PER SHARE	TOTAL
<S>	<C>	<C>
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Pets.com, Inc.	$	$

</TABLE>

The U.S. underwriters may also purchase up to an additional 900,000

shares from Pets.com at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The international managers may similarly purchase up to an additional 225,000 shares from Pets.com.

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

The shares will be ready for delivery on or about , 2000.

MERRILL LYNCH & CO.
BEAR, STEARNS & CO. INC.
THOMAS WEISEL PARTNERS LLC
WARBURG DILLON READ

The date of this prospectus is February , 2000.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operation and prospects may have changed since that date.

Pets.com(TM), the Pets.com logo, Because Pets Can't Drive(TM), Keep It Comin'(TM), More Products Than A Superstore Delivers(TM), People Helping Animals, Animals Helping People(TM), and Pets.commitment(TM) are trademarks of Pets.com and Pets.com has the right to use Pets.complete(TM). All other brand names or trademarks appearing in this prospectus are the property of their respective holders. Use or display by Pets.com of other parties' trademarks, trade dress or products is not intended to and does not imply a relationship with, or endorsement or sponsorship of, Pets.com by the trademark or trade dress owners.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and financial statements appearing elsewhere in this prospectus.

PETS.COM, INC.

We are a leading online retailer of pet products, integrating product sales with expert information on pets and their care. We are committed to serving pets and their owners with the best care possible through a broad product selection, expert information and superior service. We seek to address the entire pet products market, transcending the limited product selection of superstores, specialty stores and grocery stores. Our broad selection of approximately 12,000 SKUs is integrated with extensive pet-related information and resources designed to help consumers make informed purchasing decisions. We designed our Web store to provide our customers with a convenient, one-stop shopping experience that is organized to reflect how consumers think about shopping for their pets. Our Web store addresses the needs of many of the most popular pets, including dogs, cats, birds, fish, reptiles, ferrets, and other small pets. We provide quality customer service through our in-house distribution, fulfillment, customer service, and technology operations. Furthermore, we encourage participation in the pet community both through our Web store and through Pets.commitment, our charitable foundation that supports the role that pets and people play in each others' lives.

The pet products industry in the United States is a large and growing market characterized by a loyal and emotion-driven customer base. According to the Pet Industry Joint Advisory Council, U.S. consumer spending on pet products and services grew at an annual rate of approximately 9% per year between 1993 and 1997, totaling approximately $23 billion at the end of 1997. More than 60% of U.S. households owned a pet and 40% of those households owned more than one pet in 1998, according to a recent American Pet Products Manufacturers Association study. The pet products market has traditionally been served by a combination of traditional store-based retailers, including superstores, independent specialty stores and grocery stores. This market is highly fragmented, and generally requires consumers to expend considerable time and effort shopping for pet products in multiple stores to meet all their needs.

We provide consumers with one-stop shopping for their pet care needs. We seek to attract and retain consumers by emphasizing the following key attributes:

Extensive Product Selection. With only one distribution center at this time, our SKU count is currently equivalent to the number available at the largest pet superstores, and by the middle of 2000 we expect our SKU count will increase to approximately two times the SKUs available at these stores.

Expert Information and Professional Resources. We provide consumers extensive pet and pet care information integrated throughout our Web store through our in-house staff of pet experts and strategic relationships.

Superior Shopping Experience. We believe that we provide an intuitive, easy-to-use Web store, categorized and organized the way people think about shopping for their pets. We also offer our customers a highly streamlined checkout experience and direct delivery to their doors.

Quality Customer Service. We have invested significant resources to create our own fulfillment, distribution, and both online and in-person help service functions to enable us to better control all aspects of the customers' shopping experience.

Community. Visitors to our Web store can participate online in 60 different pet discussion forums, sign up for our online newsletter and get information on our Pets.commitment charitable foundation.

Our objective is to become one of the world's leading retailers of pet products. Key elements of our strategy include:

- Building enduring brand equity through an advertising strategy which includes our Pets.com sock puppet brand icon, relationships with select online companies, and support for national events and pet-related local market activities;

- Offering the broadest possible pet product selection available to our customers at competitive prices;

- Establishing our private label brands for pet products marketed under the Pets.complete and Pets.com brand names;

- Providing increasingly comprehensive and relevant content in conjunction with a range of consumer and veterinary care partners;

- Delivering superior customer service and promoting repeat purchases through investments in people, technology and distribution facilities;

- Continuing to maintain and expand our relationships with Amazon.com, which is currently our largest stockholder, and GO.com; and

- Expanding internationally in order to capitalize on the global market.

OTHER INFORMATION

Unless otherwise noted, this prospectus assumes:

- the automatic conversion of our outstanding convertible preferred stock into common stock on a one-for-one basis upon the closing of this offering;

- the split of our common stock on the basis of 0.8 shares for each share of common stock;

- our reincorporation in Delaware and the filing of our amended and restated certificate of incorporation authorizing 150,000,000 shares of common stock and a class of 5,000,000 shares of undesignated preferred stock upon the closing of the offering; and

- no exercise by the underwriters of their options to purchase additional shares of our common stock in the offering.

Our net sales were $5.8 million for the period from February 1999 (inception) through December 31, 1999. Our net losses were $61.8 million for the same period.

We were formed in February 1999. Our principal executive offices are located at 435 Brannan Street, Suite 100, San Francisco, California 94107. Our telephone number is (415) 222-9999. Our Web store address is www.pets.com. Information contained in our Web store does not constitute part of this prospectus.

THE OFFERINGS

Shares offered by Pets.com	
U.S. offering	6,000,000 shares
International offering	1,500,000 shares
Total	7,500,000 shares
Shares outstanding after the offering, excluding unvested shares	26,392,410 shares, excluding 3,152,327 shares issued pursuant to the exercise of unvested stock options which are subject to our right of repurchase as of December 31, 1999.
Shares outstanding after the offering, including unvested shares	29,544,737 shares, including 3,152,327 shares issued pursuant to the exercise of unvested stock options which are subject to our right of repurchase as of December 31, 1999.
Use of proceeds	We estimate that our net proceeds from this

	offering without exercise of the over-allotment options will be approximately $68.8 million. We intend to use these net proceeds for general corporate purposes, including expansion of our marketing and brand building efforts, expansion and building of distribution centers, and working capital. See "Use of Proceeds."
Risk factors.....	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of the common stock.
Proposed Nasdaq National Market symbol.....	"IPET"

In addition, the information above excludes, as of December 31, 1999, 983,400 shares issuable upon exercise of options granted under our stock plans at a weighted average exercise price of $1.86 per share, and 2,068,000 shares available for grant under our stock plans. This number assumes that the underwriters' over-allotment options are not exercised. If the over-allotment options are exercised in full, we will issue and sell an additional 1,125,000 shares.

SUMMARY FINANCIAL DATA
(IN THOUSANDS)

The following table sets forth a summary of our statement of operations data for the periods presented. The pro forma net loss per share for the period from February 17, 1999 (inception) through December 31, 1999 reflects the conversion of our convertible preferred stock upon completion of this offering.

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	QUARTER ENDED JUNE 30, 1999	QUARTER ENDED SEPTEMBER 30, 1999	QUARTER ENDED DECEMBER 31, 1999	PERIOD FROM FEBRUARY 17, 1999 (INCEPTION) THROUGH DECEMBER 31, 1999
<S>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:				
Net sales.....	$ 39	$ 568	$ 5,168	$ 5,787
Gross margin.....	(37)	(1,198)	(6,402)	(7,625)
Total operating expenses.....	3,584	15,231	36,512	55,344
Operating loss.....	(3,621)	(16,429)	(42,914)	(62,969)
Net loss.....	$ (3,498)	$ (15,852)	(42,423)	$ (61,778)
Basic and diluted net loss per share.....	$ (2.41)	$ (10.91)	$ (28.92)	$ (42.42)
Weighted average shares outstanding used to compute basic and diluted net loss per share.....	1,453,470	1,453,470	1,466,803	1,456,489
Pro forma basic and diluted net loss per share.....				$ (3.48)
Weighted average shares outstanding used to compute pro forma basic and diluted net loss per share...				17,757,028

</TABLE>

The following data sets forth a summary of our balance sheet data as of December 31, 1999

- On an actual basis;
- On a pro forma basis to give effect to the automatic conversion of all of the outstanding shares of our convertible preferred stock into shares of common stock upon the closing of this offering; and
- On a pro forma as adjusted basis to reflect the automatic conversion of all of the outstanding shares of our convertible preferred stock and our

receipt of the estimated net proceeds from the sale of 7,500,000 shares of common stock in this offering at an estimated price of $10.00 per share.

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	DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
<S>	<C>	<C>	<C>
BALANCE SHEET DATA:			
Cash and cash equivalents	$ 30,196	$30,196	$ 98,946
Working capital	36,088	36,088	104,838
Total assets	60,310	60,310	129,060
Convertible preferred stock and related paid-in capital	109,637	--	--
Total stockholders' equity, including convertible preferred stock	51,120	51,120	119,870

</TABLE>

RISK FACTORS

You should carefully consider the following risks before making an investment in our company. You should also refer to the other information set forth in this prospectus, including the discussions set forth in "Special Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as our financial statements and the related notes. Our business, financial condition, or results of operations could be harmed as a result of any of the following risks. In such case, the trading of our common stock could decline, and you could lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

WE ONLY BEGAN SELLING OUR PRODUCTS IN FEBRUARY 1999 AND WE OPERATE IN A NEW AND RAPIDLY EVOLVING MARKET, WHICH MAKES IT DIFFICULT FOR INVESTORS TO DETERMINE WHETHER WE WILL ACCOMPLISH OUR OBJECTIVES.

Because we were formed in February 1999 and we have yet to achieve meaningful revenues, we have a limited operating history on which investors and securities analysts can base an evaluation of our business and prospects. We have limited insight into trends that may emerge and affect our business. Accordingly, you must consider the risks and difficulties we face as an early stage company with limited operating history in a new and rapidly evolving market. We cannot be certain that our business strategy will be successful.

THE SUCCESS OF OUR BUSINESS DEPENDS ON ATTRACTING AND RETAINING A LARGE NUMBER OF POTENTIAL CUSTOMERS. IF WE ARE UNABLE TO DO SO, WE WILL NOT BE ABLE TO ACHIEVE PROFITABILITY.

Our success depends on attracting a large number of potential customers who shop in traditional retail stores and persuading them to shop in our Web store. Our success is also dependent on ensuring that these customers remain loyal long-term customers of Pets.com. In addition to our dependence on the widespread customer acceptance of the Internet for purchasing products, we cannot be certain that our customers will accept our online solution over those offered by our competitors. If we do not achieve widespread customer acceptance of our online solution, our revenues will suffer. Furthermore, we may be required to incur significantly higher and more sustained advertising and promotional expenditures than we currently anticipate to attract online shoppers to our Web store and to convert those shoppers to purchasing customers. As a result, we may not be able to achieve profitability when we expect, or at all.

WE HAVE A HISTORY OF LOSSES AND WE EXPECT SIGNIFICANT INCREASES IN OUR COSTS AND EXPENSES TO RESULT IN CONTINUING LOSSES FOR AT LEAST THE NEXT FOUR YEARS.

We incurred net losses of $42.4 million for the three-month period ended December 31, 1999 and cumulative losses of $61.8 million from our inception through December 31, 1999. We have not achieved profitability. We only began selling products in February 1999 and have yet to achieve meaningful revenue, and cannot be certain that we will obtain enough customer traffic or a high

enough volume of purchases to generate sufficient revenues and achieve profitability. We believe that we will continue to incur operating and net losses for at least the next four years, and possibly longer, and that the rate at which we will incur these losses will increase significantly from current levels. We intend to increase our costs and expenses substantially as we:

- Increase our sales and marketing activities, such as increasing advertising expenses and entering into strategic marketing agreements with third parties;

- Open additional distribution centers and expand our existing distribution center;

- Provide our customers with shipping below our actual costs to attract customers;

- Increase our general and administrative functions to support our growing operations;

- Expand our customer support organization to better serve customer needs; and

- Develop or license from third parties enhanced technologies and features to improve our Web store.

Because we will spend these amounts before we receive any incremental revenues from these efforts, our losses will be greater than the losses we would incur if we developed our business more slowly. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in proportionate increases in our revenues, which would further increase our losses. We may also engage in promotional efforts such as coupons or discounts that would reduce our revenues.

WE MAY NOT SUCCEED IN ESTABLISHING THE PETS.COM BRAND, WHICH WOULD ADVERSELY AFFECT CUSTOMER ACCEPTANCE AND OUR REVENUES.

Due to the early stage and competitive nature of the online market for pet products, information and services, if we do not establish our brand quickly, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide consistent, high quality customer experiences. To promote our brand, we will incur substantial expense in our advertising efforts on television, radio, magazines and other forms of traditional media, along with advertising on Web sites that we believe our customers are likely to visit. We will also incur substantial expense in our efforts to enter into strategic alliances with, including making investments in, online and more traditional companies that we believe will promote our brand and drive customers to our Web store. To provide a high quality customer experience, we will also need to spend money to attract and train customer service personnel. We also will incur substantial expenses to develop content to help build our brand and attract customers to our Web store. If these brand promotion activities do not yield increased revenues, we will incur additional losses.

Beginning in the first half of 2000, we intend to introduce a line of private label pet products. We may not achieve consumer acceptance of these products. Further, we may be forced to incur higher expenses in order to produce or market our private label product lines, which could negatively affect our financial condition or operating results.

INCREASING OUR PRODUCT DISTRIBUTION CAPACITY IS AN IMPORTANT PART OF OUR BUSINESS STRATEGY AND WILL REQUIRE SIGNIFICANT INVESTMENTS IN CASH AND MANAGEMENT RESOURCES. IF WE DO NOT SUCCESSFULLY BUILD ADDITIONAL DISTRIBUTION CENTERS, WE WILL FACE DIFFICULTIES IN INCREASING OUR REVENUES AND WE MAY LOSE CUSTOMERS TO OUR COMPETITORS.

We currently have one distribution center in Union City, California which has a satellite operation in Hayward, California. We expect to begin operating a second distribution center in the first half of 2000, and a third distribution center within twenty-four months thereafter. Our success depends on our ability to build additional distribution centers to accommodate increases in customer demand, reduce our shipping costs, reduce shipping times to customers, provide for a large product selection and increase our gross margins. If we do not successfully build additional distribution centers in time to accommodate

increases in customer demand, we may not be able to increase our revenues and we may lose customers to our competitors.

Opening additional distribution centers will require significant capital investments in facilities and equipment, will require us to hire and train a significant number of new employees, and could divert management attention from other issues. We expect to invest from $7 million to $9 million in facilities and equipment in connection with opening an additional distribution center during the first half of 2000. For additional information relating to the risks we may face in obtaining additional financing, see "We may need to raise additional funds and these funds may not be available to us when we need them. If we cannot raise additional funds when we need them, our business could fail."

SINCE WE CURRENTLY OPERATE ONLY ONE DISTRIBUTION CENTER LOCATED IN THE SAN FRANCISCO BAY AREA, WE ARE SUSCEPTIBLE TO THE RISK OF DAMAGE TO OUR DISTRIBUTION CENTER.

Since we currently only operate one distribution center out of which we ship products to nearly all of our customers, we are susceptible to power and equipment failures, disruptions in our order fulfillment and delivery systems, and fires, floods and other disasters. Furthermore, since our distribution center is located in the San Francisco Bay Area, which is an earthquake-sensitive area, we are particularly susceptible to the risk of damage to, or total destruction of, our distribution center and the surrounding transportation infrastructure caused by earthquakes. We cannot assure you that we are adequately insured to cover the total amount of any losses caused by any of the above events. In addition, we are not insured against any losses due to interruptions in our business due to damage to or destruction of our distribution center caused by earthquakes or to major transportation infrastructure disruptions or other events that do not occur on our premises.

WE EXPECT OUR QUARTERLY FINANCIAL RESULTS TO FLUCTUATE SIGNIFICANTLY FROM QUARTER TO QUARTER, WHICH CAN CAUSE THE TRADING PRICE OF OUR COMMON STOCK TO FLUCTUATE SIGNIFICANTLY.

We expect that our revenues and operating results will vary significantly from quarter to quarter due to a number of factors, including:

- Consumer traffic to our Web store may fluctuate depending on the effectiveness of our sales and marketing campaign, the timing and level of promotions we engage in with Amazon.com, GO.com and our other strategic partners, and the effectiveness of content on our Web store and other factors;

- The level of repeat purchases by customers, average order size and mix of products sold may fluctuate as a result of the experience consumers have on our Web store, the availability of products we have for sale, seasonal factors and other factors;

- Our revenues may decline as a result of promotional offers made by our competitors, the introduction of products or services offered by our competitors, or the introduction of new competitors into our market;

- We may experience consumer dissatisfaction with our Web store as we add or change features, or as a result of technical difficulties on our Web store that do not permit a consumer to access our Web store or to complete a shopping session;

- Our expenses will also fluctuate depending on the timing and nature of expansion of our distribution center; and our ability to achieve efficiencies and lower shipping costs as a result of this expansion;

- Changes in government regulation of the Internet, particularly the imposition of sales tax for online transactions, may discourage online shopping and result in decreased revenues; and

- We may incur costs related to potential acquisitions of technology or businesses.

To the extent our revenues and operating results fall below the expectation of investors and securities analysts, the trading price of our common stock may fall significantly.

BECAUSE OUR OPERATING EXPENSES ARE GENERALLY FIXED IN THE SHORT TERM, IF WE FAIL TO ACHIEVE ANTICIPATED REVENUES WE WILL INCUR SUBSTANTIAL ADDITIONAL OPERATING LOSSES. FURTHERMORE, OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO PREDICT REVENUES AND PLAN OUR OPERATING EXPENSES.

Because of our limited operating history, we have insufficient financial data on which to forecast our revenues and operating expenses. Our operating expenses are largely based on anticipated revenue trends and a high percentage of our expenses are fixed in the short term. As a result, a delay in generating or recognizing revenue for any reason could result in substantial additional operating losses. The volume and timing of orders of pet products on our Web store are difficult to predict because the online market for

such products is in its infancy. Due to the limited operating history of our Web store, we do not have a material amount of repeat business from regular customers. Because our Web store is designed to encourage repeat business and we do not yet have sufficient historical data on how successful this strategy will be, we cannot currently forecast revenue from regular customers or overall anticipated revenue trends.

Furthermore, as a result of our limited operating history, it is difficult to predict the volatility associated with the nature and timing of special promotional offers, such as reducing the price on selected products, providing redeemable coupons to customers, or offering shipping below our actual costs, and our advertising efforts. For example, our revenues may decrease significantly after a promotional offer has expired or prior to an expected offer. In addition, our advertising expenses may be disproportionately higher than our anticipated revenues from these advertising efforts.

WE WILL NEED TO RAISE ADDITIONAL FUNDS AND THESE FUNDS MAY NOT BE AVAILABLE TO US WHEN WE NEED THEM. IF WE CANNOT RAISE ADDITIONAL FUNDS WHEN WE NEED THEM, OUR BUSINESS COULD FAIL.

Based on our current projections, we will need to raise funds over time through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions in addition to the funds we are raising in this offering. We cannot be certain that additional funds will be available to us on favorable terms when required, or at all. If this additional financing is not available to us we may need to dramatically change our business plan, sell or merge our business, or face bankruptcy. In addition, our issuance of equity or equity-related securities will dilute the ownership interest of existing stockholders and our issuance of debt securities could increase the risk or perceived risk of our company. Any of these actions could cause our stock price to fall.

A PORTION OF OUR REVENUES MAY BE SEASONAL, WHICH COULD CAUSE OUR QUARTERLY FINANCIAL RESULTS AND OUR COMMON STOCK PRICE TO FLUCTUATE SIGNIFICANTLY.

A portion of our revenues may be seasonal in nature, associated with the sale of gift products for pets during the holiday season, the sale of outdoor and activity-related pet products during the Spring season and the sale of flea and tick products for pets during the Summer season. In addition, consumer fads and other changes in consumer trends may cause shifts in purchasing patterns, resulting in significant fluctuations in our operating results from one quarter to the next and may result in significant fluctuations in our common stock price. The fact that we have not yet generated revenue for a full year and the rapid growth in our revenues since our inception make it impossible to assess the impact of these factors.

WE DEPEND ON OUR ADVERTISING AGREEMENT WITH AMAZON.COM TO ATTRACT CUSTOMERS TO OUR WEB STORE AND BUILD OUR BRAND. IN THE EVENT OUR ADVERTISING AGREEMENT WITH AMAZON.COM WERE TO TERMINATE, WE COULD FACE SIGNIFICANTLY HIGHER COSTS AND SIGNIFICANTLY MORE DIFFICULTY IN ATTRACTING CUSTOMERS.

We have entered into an advertising agreement with Amazon.com whereby Amazon.com provides us with online promotions mutually agreed upon, such as emails about Pets.com, and one or more links from different locations on its Web site to our Web store, consistent with Amazon.com's other marketing arrangements. Although our current agreement with Amazon.com expires in October 2000, Amazon.com could terminate most of these online promotions at any time. We cannot be certain that our relationship with Amazon.com will be available to us in the future on acceptable commercial terms, if at all. If we are unable to

maintain our relationship with Amazon.com or agree upon the terms and conditions of continuing the agreement beyond October 2000, our customer traffic could fall and our brand identity could be adversely impacted resulting in decreased revenues, and our marketing expenses could increase as we are forced to incur higher costs to attract customers. In addition, our relationship with Amazon.com is not exclusive. Amazon.com could partner with any of our competitors or offer competing products, information or services directly from its Web site. Furthermore, by virtue of the fact that we derive traffic directly from the Amazon.com Web site, any interruption in service of Amazon.com's Web site or the distribution of products to its customers could reduce the number of customers to our Web store and reduce our revenues. Because we depend on the brand awareness of Amazon.com to help build our brand,

negative publicity about Amazon.com or a reduction of the effectiveness of its brand could also have a negative impact on our brand and reduce our revenues.

WE UTILIZE CONSULTING ADVICE AND SUPPORT FROM AMAZON.COM FOR OPERATIONAL AND STRATEGIC EXPERTISE. AMAZON.COM HAS NO CONTRACTUAL OBLIGATION TO PROVIDE THIS SUPPORT. IF AMAZON.COM DOES NOT CONTINUE TO PROVIDE THE ADVICE AND SUPPORT WE NEED, WE COULD INCUR HIGHER OPERATIONAL EXPENSES IN RUNNING OUR BUSINESS AND DIFFICULTIES IN EXECUTING ON OUR BUSINESS PLAN.

Since our inception, Amazon.com has provided us with free consulting services relating to the operation of our business. During this time, Amazon.com has also provided us with assistance in negotiating with vendors who also do business with Amazon.com. This assistance has allowed us to incur significantly lower operational expenses than we could otherwise have achieved at our early stage of development. Amazon.com has provided these services to us because of Amazon.com's significant equity stake in us. Amazon.com, however, is under no contractual obligation to continue to provide this advice and support. While Amazon.com will continue to own approximately 30.4% of our common stock after this offering, 29.3% if the underwriters' over-allotment options are exercised in full, we cannot be certain that Amazon.com will continue to provide, or provide at all, the level of consulting advice and support that Amazon.com has provided to us in the past. If we are unable to maintain our relationship with Amazon.com, we would lose access to important operational and strategic expertise, which could harm our business.

WE DEPEND ON OUR ABILITY TO BUILD AND MAINTAIN RELATIONSHIPS WITH OUR SUPPLIERS TO OBTAIN SUFFICIENT QUANTITIES OF QUALITY MERCHANDISE ON ACCEPTABLE COMMERCIAL TERMS. IF WE FAIL TO MAINTAIN OUR SUPPLIER RELATIONSHIPS, OUR REVENUES WILL DECLINE.

Our business strategy depends on providing a large selection of well-known and high-quality branded products which in turn depends on our ability to maintain relationships with a significant number of suppliers. We currently purchase our products from approximately 200 suppliers. Our contracts or arrangements with suppliers do not guarantee the availability of merchandise, establish guaranteed prices or provide for the continuation of particular pricing practices. Our current suppliers may not continue to sell products to us on current terms or at all, and we may not be able to establish new suppliers to ensure delivery of products in a timely manner or on terms acceptable to us. Furthermore, because many of the products offered on our Web store are well-known branded products, if suppliers of these products do not supply products to us, we may lose customers who are unwilling to substitute for other brands we carry. We are also dependent on suppliers for assuring the quality of products supplied to us. Because we ship products directly to our customers, if the quality of products supplied to us fall below our customers' expectations, we may lose customers. In addition, our supply contracts do not restrict our suppliers from selling products to our online competitors or to retailers other than online retailers, which could limit our ability to supply the quantity of products requested by our customers. We are also subject to the risks our suppliers face, including employee strikes and inclement weather. Our failure to deliver a large selection of high-quality and well-known branded products to our customers in a timely and accurate manner, and at acceptable prices, would harm our reputation, the Pets.com brand and our results of operations.

WE FACE THE RISK OF SYSTEMS INTERRUPTIONS AND CAPACITY CONSTRAINTS ON OUR WEB SITE, POSSIBLY RESULTING IN ADVERSE PUBLICITY, REVENUE LOSSES AND EROSION OF CUSTOMER TRUST.

The satisfactory performance, reliability and availability of our Web store, transaction processing systems and network infrastructure are critical to

our reputation and our ability to attract and retain customers and to maintain adequate customer service levels. Any future systems interruption that results in the unavailability of our Web store or reduced order fulfillment performance could result in negative publicity and reduce the volume of goods sold and the attractiveness of our Web store, which could negatively affect our revenues. For the period from February 17, 1999 to December 31, 1999, there were three periods of one to three hours and one period of thirteen hours during which users were able to access our site but unable to complete transactions. There were also approximately four periods of one to two

hours during which our site was unavailable to customers due to scheduled periodic maintenance. Nevertheless, we may experience temporary system interruptions for a variety of reasons in the future, including power failures, software bugs and an overwhelming number of visitors trying to reach our Web store during sales or other promotions. We may not be able to correct a problem in a timely manner. Because we are dependent in part on outside consultants for the implementation of certain aspects of our system and because some of the reasons for a systems interruption may be outside of our control, we also may not be able to remedy the problem quickly or at all.

We opened our Web store for customers in February 1999 and to the extent that customer traffic grows substantially, we will need to expand the capacity of our systems to accommodate a larger number of visitors. Any inability to scale our systems may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality and speed of order fulfillment, or delays in reporting accurate financial information. We are not certain that we will be able to project the rate or timing of increases, if any, in the use of our Web store accurately or in a timely manner to permit us to effectively upgrade and expand our transaction-processing systems or to integrate smoothly any newly developed or purchased modules with our existing systems.

WE HAVE GROWN VERY RAPIDLY. THIS GROWTH HAS PLACED, AND OUR ANTICIPATED FUTURE OPERATIONS WILL CONTINUE TO PLACE, A SIGNIFICANT STRAIN ON OUR MANAGEMENT SYSTEMS AND RESOURCES. WE WILL NOT BE ABLE TO IMPLEMENT OUR BUSINESS STRATEGY UNLESS WE ARE ABLE TO EFFECTIVELY MANAGE THIS STRAIN ON OUR SYSTEMS AND RESOURCES.

We have rapidly and significantly expanded our operations, and anticipate that we will continue to expand. From March 31, 1999 to September 30, 1999 to December 31, 1999 we grew from 4 to 123 to 270 employees, respectively. We currently have one distribution center, and expect to begin operating a second distribution center in the first half of 2000 and a third distribution center within twenty-four months thereafter. This growth has placed, and our anticipated future operations will continue to place, a significant strain on our management systems and resources. We will not be able to implement our business strategy unless we are able to effectively manage this strain on our systems and resources. We will not be able to increase revenues unless we continue to improve our transaction-processing, operational, financial and managerial controls, reporting systems and procedures, expand, train, supervise and manage our work force, and manage multiple relationships with third parties.

WE ENTER INTO STRATEGIC RELATIONSHIPS TO HELP PROMOTE OUR WEB STORE. IF WE FAIL TO MAINTAIN OR ENHANCE THESE RELATIONSHIPS, WE MAY NOT BE ABLE TO ATTRACT AND RETAIN CUSTOMERS, BUILD OUR PETS.COM BRAND AND ENHANCE OUR SALES AND MARKETING CAPABILITIES.

We believe that our ability to attract customers, facilitate broad market acceptance of our products and the Pets.com brand, and enhance our sales and marketing capabilities depends on our ability to develop and maintain strategic relationships with:

- Amazon.com, with whom we have entered into an advertising agreement pursuant to which Amazon.com provides us with online promotions mutually agreed upon;

- GO.com, with whom we have entered into a distribution agreement which provides that we will engage in promotions on GO.com's online properties, and place media advertising with ABC, Inc., which, along with GO.com, is an affiliate of The Walt Disney Company;

- American Veterinary Medical Foundation, with whom we have entered into an exclusive marketing agreement pursuant to which our products and services

will receive coverage in the American Veterinary Medical Foundation's bi-monthly video which is sent to 17,000 veterinarians;

- PetPlace.com, Inc., a provider of online veterinary information in whom we have made an equity investment and with whom we have entered into an exclusive marketing agreement which provides for cross promotions and direct links between our respective Web sites; and

- Other pets-related Web sites and portals, and other Web sites that can drive customer traffic to our Web store.

All of these relationships are relatively new and, accordingly, we have no historical experience on which to evaluate their impact. If these relationships do not assist us in attracting or retaining customers, it may be difficult for us to grow our business. In addition, we may need to expend significant additional resources to form additional strategic relationships if the relationships set forth above fail to produce the desired results.

COMPETITION FROM BOTH TRADITIONAL AND ONLINE RETAILERS MAY RESULT IN PRICE REDUCTIONS AND DECREASED DEMAND FOR OUR PRODUCTS AND SERVICES.

We compete in a market that is new, rapidly evolving and highly competitive, and we expect competition to intensify in the future. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share. We currently or potentially compete with a variety of companies, many of which have significantly greater financial, technical, marketing and other resources. These competitors can be divided into several groups:

- online stores that specialize in pet products such as
  Petopia.com, Inc.
  PetsMart.com, Inc.
  PetStore.com, Inc.;

- online stores that offer pet products;

- superstore retailers of pet products such as
  Petco Animal Supplies, Inc.
  PetsMart, Inc.;

- specialty pet stores;

- mass market retailers such as
  Wal Mart Stores, Inc.
  Kmart Corporation
  Target Stores, Inc.;

- supermarkets;

- warehouse clubs such as Costco Companies, Inc.;

- mail order suppliers of pet products; and

- pet supply departments at major department stores.

Many of these companies, which include national, regional and local chains, have existed for a longer period, have greater financial resources, have established marketing relationships with leading manufacturers and advertisers, and have longer established brand recognition among customers.

We believe we may face a significant competitive challenge from our competitors forming alliances with each other. For instance, Petopia, Inc. is owned in part by Petco Animal Supplies, Inc., and PetsMart.com, Inc. is owned in part by PetsMart, Inc. The combined resources of these alliances could pose a significant competitive challenge to Pets.com. These relationships may enable these online stores to achieve greater brand recognition, particularly in the case of PetsMart.com, Inc., by leveraging the better established brand awareness of their pet retail store partner. These relationships may also enable these online stores to negotiate better pricing and other terms from suppliers by aggregating their demand for products and negotiating volume discounts. Our inability to partner with a major pet store chain could be a major competitive disadvantage to us.

We also believe we may face significant competitive challenges from discount general merchandise stores, mass market retailers and other retailers that commence or expand their presence on the Internet to include pet products. Finally, we are aware of numerous other smaller entrepreneurial companies that are focusing significant resources on developing and marketing products, information and services that will compete directly with those offered at Pets.com.

We believe that there may be a significant advantage in establishing a large customer base before our competitors do so. If we fail to attract and retain a large customer base and our competitors establish a more prominent market position relative to ours, this could inhibit our ability to grow. We believe the principal factors in our market include brand recognition, product selection, quality of Web store content, reliability and speed of order shipment, customer service, speed and accessibility of our Web store, personalized service, convenience and price. We will have little or no control over how successful our competitors are in addressing these factors. In addition, with little difficulty, our online competitors can duplicate many of the products, services and content offered in our Web store.

EXPANSION OF OUR INTERNATIONAL OPERATIONS WILL REQUIRE MANAGEMENT ATTENTION AND RESOURCES AND MAY BE UNSUCCESSFUL WHICH COULD HARM OUR FUTURE BUSINESS DEVELOPMENT AND EXISTING DOMESTIC OPERATIONS.

To date, we have conducted no international operations but we intend to make an investment in a UK-based company that intends to sell pet products online. We plan to build local versions of our Web store for foreign companies or expand our international operations through acquisitions or alliances with third parties. Our expansion plans will require management attention and resources and may be unsuccessful. We have no experience in selling our products to conform to local cultures, standards and policies. We may have to compete with local companies which understand the local market better than we do. In addition, to achieve satisfactory performance for consumers in international locations it will be necessary to locate physical facilities, such as server computers and distribution centers in the foreign market. We do not have experience establishing such facilities overseas. We may not be successful in expanding into any international markets or in generating revenues from foreign operations. In addition, different privacy, censorship and liability standards and regulations and different intellectual property laws in foreign countries may cause our business to be harmed. Furthermore, once we expand internationally we expect to incur net losses in developing foreign markets for the foreseeable future.

OUR SYSTEMS AND OPERATIONS, AND THOSE OF OUR SUPPLIERS AND SHIPPERS, ARE VULNERABLE TO NATURAL DISASTERS AND OTHER UNEXPECTED PROBLEMS.

Substantially all of our computer and communications hardware is located at our leased facility in San Francisco, California and our systems infrastructure is hosted at an Exodus Communications, Inc. facility in Santa Clara, California. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, earthquakes and similar events. In addition, our servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to accept and fulfill customer orders. We do not currently have fully redundant systems or a formal disaster recovery plan and do not carry sufficient business interruption insurance to compensate for losses that may occur. Our suppliers also face these risks.

We also depend on the efficient operation of Internet connections from customers to our systems. These connections, in turn, depend on the efficient operation of Web browsers, Internet service providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages. Any system delays, failures or loss of data, whatever the cause, could reduce customer satisfaction with our applications and services and harm our sales.

GOVERNMENTAL REGULATION OF OUR BUSINESS COULD REQUIRE SIGNIFICANT EXPENSES, AND FAILURE TO COMPLY WITH GOVERNMENT REGULATIONS COULD RESULT IN CIVIL AND CRIMINAL PENALTIES.

Our business is subject to federal, state and local regulations relating to the shipment of pet food, live animals and pet products, advice relating to animal care, and other matters. Regulations in this area often require

subjective interpretation, and we cannot be certain that our attempts to comply with these regulations will be deemed sufficient by the appropriate regulatory agencies. Violations of any regulations could result in various civil and criminal penalties, including suspension or revocation of our licenses or registrations, seizure of our inventory, or monetary fines, which could adversely effect our operations.

WE NEED TO HIRE AND RETAIN A NUMBER OF ADDITIONAL TECHNOLOGY, CONTENT AND PRODUCT ORIENTED PERSONNEL WHO MIGHT BE DIFFICULT TO FIND AND WHO ARE KEY TO OUR CONTINUED GROWTH AND ULTIMATE SUCCESS IN THE MARKET.

We intend to continue to hire a significant number of additional personnel, including software engineers, editorial and customer support personnel, marketing personnel, and warehouse and operational personnel. Competition for these individuals is intense, and we may not be able to attract, assimilate or retain additional highly qualified personnel in the future. The failure to attract, integrate, motivate and retain these additional employees could seriously harm our business.

WE RELY ON THE SERVICES OF OUR KEY PERSONNEL, WHOSE KNOWLEDGE OF OUR BUSINESS AND TECHNICAL EXPERTISE ARE IMPORTANT TO OUR CONTINUED GROWTH AND ULTIMATE SUCCESS IN THE MARKET AND WOULD BE DIFFICULT TO REPLACE.

We rely upon the continued service and performance of a relatively small number of key technical and senior management personnel. Our future success depends on our retention of these key employees, such as Julie Wainwright, our Chief Executive Officer. None of our key technical or senior management personnel are bound by employment agreements, and as a result, any of these employees could leave with little or no prior notice. If we lose any of our key technical and senior management personnel, our business could be seriously harmed. We do not have "key person" life insurance policies covering any of our employees.

MANY MEMBERS OF OUR MANAGEMENT TEAM ARE NEW TO THE COMPANY OR TO THE PET PRODUCTS AND SERVICES INDUSTRY OR ONLINE BUSINESSES, AND EXECUTION OF OUR BUSINESS PLAN AND DEVELOPMENT STRATEGY COULD BE SERIOUSLY HARMED IF INTEGRATION OF OUR MANAGEMENT TEAM INTO OUR COMPANY IS NOT SUCCESSFUL.

We have recently experienced significant growth in our management team. Paul Manca, our Chief Financial Officer, joined us in September 1999 and Ralph Lewis, our Vice President of Distribution and Logistics, joined us in November 1999. In addition, many of the members of our senior management team do not have prior experience in the pet products and services industry or in online businesses or in publicly traded companies. Our business could be seriously harmed if integration of our management team into our company is not successful. We expect that it will take time for our new management team to integrate into our company and it is too early to predict whether this integration will be successful.

WE CANNOT BE CERTAIN THAT WE WILL BE ABLE TO PROTECT OUR INTELLECTUAL PROPERTY, AND WE MAY BE FOUND TO INFRINGE PROPRIETARY RIGHTS OF OTHERS, WHICH COULD NEGATIVELY AFFECT OUR BUSINESS BY DIVERTING OUR MONETARY RESOURCES AND MANAGEMENT'S ATTENTION TO THESE MATTERS INSTEAD OF ALLOWING US TO FOCUS ON THE CONTINUING DEVELOPMENT OF OUR MARKET STRATEGY.

We rely on a combination of trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. These afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our Web store, including the look and feel of our Web pages, products that we sell, product organization, product information and sales mechanics or to obtain and use information that we regard as proprietary, such as the technology used to operate our Web store, our content and our trademarks.

We have filed applications for the registration of Pets.com(TM), the Pets.com logo, Because Pets Can't Drive(TM), Keep It Comin'(TM), More Products Than a Superstore Delivers(TM), People Helping Animals, Animals Helping People(TM), Pets.commitment(TM) and our sock puppet in the U.S. and in some other countries, although we have not secured registration of our marks to date. We have been granted the right to use Pets.complete(TM) from a third party in exchange for economic consideration. We may be unable to secure these registrations. It is also possible that our competitors or others will adopt service names similar to ours, thereby impeding our ability to build brand

identity and possibly leading to customer confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term Pets.com or our other

trademark applications. Any claims or customer confusion related to our trademarks, or our failure to obtain any trademark registration, would negatively affect our business.

Litigation or proceedings before the U.S. Patent and Trademark Office may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Any litigation or adverse priority proceeding could result in substantial costs and diversion of resources and could seriously harm our business and operating results. Finally, we intend to sell our products internationally, and the laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States.

Third parties may also claim infringement by us with respect to past, current or future technologies. We expect that participants in our markets will be increasingly subject to infringement claims as the number of services and competitors in our industry segment grows. Any claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require us to enter into royalty or licensing agreements. These royalty or licensing agreements might not be available on terms acceptable to us or at all.

WE MAY NOT BE ABLE TO PROTECT OUR DOMAIN NAMES IN ALL COUNTRIES OR AGAINST ALL INFRINGERS, WHICH COULD DECREASE THE VALUE OF OUR BRAND NAME AND PROPRIETARY RIGHTS.

We currently hold the Internet domain name "pets.com," as well as various other related names. Domain names generally are regulated by Internet regulatory bodies. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names in all of the countries in which we conduct business which utilize the term "pets" or "pets.com." We are aware that other entities have already registered domain names utilizing the term "pets" or "pets.com." For example, other entities have registered in the United States the following domain names: pets-.com, pet-s.com, p-e-t-s.net and pets.net. If we are unable to purchase these names from these entities on commercially reasonable terms or in the event we were to otherwise lose the ability to use a domain name in a particular country, we would be forced to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging.

WE ARE SUBJECT TO PRODUCT LIABILITY CLAIMS AND MAY FACE LIABILITY FOR CONTENT ON OUR WEB STORE, ANY OF WHICH COULD HARM OUR FINANCIAL CONDITION AND LIQUIDITY IF WE ARE NOT ABLE TO SUCCESSFULLY DEFEND AGAINST SUCH CLAIMS.

Because we sell consumer products we may be subject to product liability claims resulting from injuries to persons and animals caused by the products we sell. We maintain limited product liability insurance. To the extent these claims are not covered by or are in excess of our product liability insurance, a successful product liability claim could harm our financial condition and liquidity. In addition, because we post product information and other content on our Web store and permit our customers to place content on our bulletin board systems and in other areas of our Web store, we face potential liability for negligence, copyright, patent, trademark, defamation, indecency and other claims based on the nature and content of the materials that we post or permit our customers to post. Claims of this type have been brought, and sometimes successfully pressed, against Internet content distributors. In addition, we do not and cannot practically screen all of the content generated by our users and placed on our Web store. Although we maintain general liability insurance of $3 million, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could harm our financial condition and liquidity.

OUR OPERATIONS MAY BE DISRUPTED IF WE OR OUR PRODUCT SUPPLIERS OR OTHER VENDORS EXPERIENCE SYSTEMS FAILURE OR DATA CORRUPTION FROM THE YEAR 2000 ISSUE.

Any failure of our material systems, our product suppliers or others vendors' material systems or the Internet to be year 2000 compliant would have material adverse consequences for us. Consequences of this type would include difficulties in operating our Web store effectively, taking product orders, making product deliveries or conducting other fundamental parts of our business. We may be unable to detect or assess the effect of any failure well into the year 2000 and beyond. We are currently assessing the year 2000 readiness of the software, computer technology and other services that we use which may not be year 2000 compliant. We do not intend to develop a contingency plan to address situations that may result if our vendors or we experience material difficulties after January 1, 2000 as a result of the year 2000 problem.

We also depend on the year 2000 compliance of the computer systems and financial services used by consumers. A significant disruption in the ability of consumers to reliably access the Internet or portions of it or to use their credit cards would have an adverse effect on demand for our products and services.

AMAZON.COM AND OUR CURRENT OFFICERS AND DIRECTORS WILL STILL CONTROL THE MAJORITY OF OUR COMMON STOCK AFTER THIS OFFERING AND THEREFORE BE ABLE TO DECIDE ALL MATTERS REQUIRING APPROVAL OF OUR STOCKHOLDERS, WHICH COULD DISCOURAGE AN ACQUISITION OF US OR MAKE REMOVAL OF INCUMBENT MANAGEMENT MORE DIFFICULT.

After this offering, Amazon.com will beneficially own approximately 30.4% of our outstanding common stock, 29.3% if the underwriters' over-allotment options are exercised in full, and Mark Britto, Amazon.com's Vice President of Strategic Alliances is a member of our Board of Directors. Therefore, Amazon.com will be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. Amazon.com's substantial equity stake in us could also make us a much less attractive acquisition candidate to potential acquirors, because Amazon.com would be able to block the acquisition by acting in concert with only a small number of other stockholders. In addition, Amazon.com would have sufficient votes to prevent the tax-free treatment of an acquisition. In addition, executive officers, directors and entities affiliated with them, including Amazon.com, will, in the aggregate, beneficially own approximately 54.8% of our outstanding common stock following the completion of this offering, 53.2% if the underwriters' over-allotment options are exercised in full. These stockholders, if acting together, would be able to decide all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. See "Principal Stockholders" for a description of Amazon.com's stock ownership relative to other stockholders, "Executive Officers and Directors" for background on Mark Britto, and "Related Party Transactions" for a description of our agreements with Amazon.com.

RISKS RELATED TO INTERNET COMMERCE

WE DEPEND ON CONTINUED USE OF THE INTERNET, AND IF THE USE OF THE INTERNET DOES NOT DEVELOP AS WE ANTICIPATE, OUR SALES MAY NOT GROW.

Our future revenues and profits, if any, substantially depend upon the widespread acceptance and use of the Internet as an effective medium of business and communication by our target customers. Rapid growth in the use of and interest in the Internet has occurred only recently. As a result, acceptance and use may not continue to develop at historical rates, and a sufficiently broad base of consumers may not adopt, and continue to use, the Internet and other online services as a medium of commerce.

In addition, the Internet may not be accepted as a viable long-term commercial marketplace for a number of reasons, including potentially inadequate development of the necessary network infrastructure or delayed development of enabling technologies and performance improvements. Our success will depend, in large part, upon third parties maintaining the Internet infrastructure to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services.

OUR SUCCESS DEPENDS ON THE WILLINGNESS OF CONSUMERS TO PURCHASE PET PRODUCTS OVER THE INTERNET INSTEAD OF THROUGH TRADITIONAL RETAILERS. IF CONSUMERS ARE NOT WILLING TO DO THIS, THE MARKET POTENTIAL FOR OUR PRODUCTS AND SERVICES WILL BE IMPAIRED.

The online market for pet products, information and services is in its infancy. The market is significantly less developed than the online market for books, auctions, music, software and numerous other consumer products. If this market does not gain widespread acceptance, our business may fail. Demand and market acceptance for recently introduced services and products on the Internet are subject to a high level of uncertainty, and there are few proven services and products. Our success will depend on our ability to engage consumers who have historically purchased pet products through traditional retailers. In order for us to be successful, many of these consumers must be willing to utilize new ways of buying pet products. In addition, a substantial proportion of the consumers who use our Web store may be using our service because it is new and different rather than because they believe it is a desirable way to purchase pet products. Such consumers may use our service only once or twice and then return to more familiar means of purchasing these products.

OUR SALES COULD BE NEGATIVELY AFFECTED IF WE ARE REQUIRED TO CHARGE TAXES ON PURCHASES.

We do not collect sales or other similar taxes in respect of goods sold by Pets.com, except from purchasers located in California. However, one or more states or the federal government may seek to impose sales tax collection obligations on out-of-state companies, such as Pets.com, which engage in or facilitate online commerce, and a number of proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. In 1998, the U.S. federal government enacted legislation prohibiting states or other local authorities from imposing new taxes on Internet commerce for a three-year period, ending on October 1, 2001. This tax moratorium does not prohibit states or the Internal Revenue Service from collecting taxes on our income, if any, or from collecting taxes that are due under existing tax rules. A successful assertion by one or more states or any foreign country that we should collect sales or other taxes on the exchange of merchandise on our Web store could harm our business. In addition, a number of trade groups and government entities have publicly stated their objections to this tax moratorium and have argued for its repeal. The Federal Advisory Commission on Electronic Commerce is in the process of evaluating these issues. It is expected to make its recommendation to Congress in April 2000. There can be no assurance that future laws will not impose taxes or other regulations on Internet commerce, or that the three-year moratorium will not be repealed, or that it will be renewed when it expires, any of which events could substantially impair the growth of electronic commerce.

We intend to open distribution centers from time to time in other states and, regardless of the outcome of this federal tax moratorium, may be required to collect sales or other similar taxes in respects of goods sold by Pets.com into these states. A successful assertion by one or more states or the federal government that we should collect further sales or other taxes on the sales of products through Pets.com could negatively affect our revenues and business.

WE RELY ON UNITED PARCEL SERVICE FOR PRODUCT SHIPMENTS TO US AND OUR CUSTOMERS, AND COULD LOSE CUSTOMERS IF IT DOES NOT ADEQUATELY SERVE OUR NEEDS.

We rely on United Parcel Service, which currently delivers approximately 99% of our product shipments, including shipments to and from our distribution facility. We are therefore subject to the risks, including employee strikes and inclement weather, associated with its ability to provide delivery services to meet our shipping needs. In addition, we do not have a written agreement with United Parcel Service and have no way of ensuring that it will continue to deliver our product shipments. The U.S. Postal Service and Federal Express currently deliver the remaining balance of our product shipments. In the event of the unsatisfactory performance of United Parcel Service, we may need to shift shipments to these and other carriers. While we have the ability to switch carriers, there are only a few national ground-based carriers that we do not already employ and any change in third-party carriers could increase our shipping costs or

result in a delay in shipment of products to our customers for a period of time. Failure to deliver products to our customers in a timely manner would damage our reputation and brand.

WE ARE EXPOSED TO RISKS ASSOCIATED WITH CREDIT CARD FRAUD WHICH COULD REDUCE OUR COLLECTIONS AND HARM OUR BUSINESS BECAUSE WE ARE UNABLE TO OBTAIN SIGNATURES FROM OUR CUSTOMERS WHEN WE PROCESS ORDERS ONLINE.

A failure to adequately control fraudulent credit card transactions would harm our net sales and results of operations because we do not carry insurance against this risk. Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder's signature. Although we have experienced almost no losses from credit card fraud, we face the risk of significant losses from this fraud as our sales increase. Our failure to adequately control fraudulent credit card transactions could reduce our collections and harm our business.

OUR REPUTATION COULD BE HARMED IF WE FAIL TO PREVENT ONLINE COMMERCE SECURITY BREACHES. WE MAY THEREFORE NEED TO EXPEND SIGNIFICANT RESOURCES TO PROTECT AGAINST SECURITY BREACHES OR TO ADDRESS PROBLEMS CAUSED BY BREACHES.

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks, and our failure to prevent security breaches could harm our business. Currently, a significant number of our users authorize us to bill their credit card accounts directly for all products sold by us. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography, or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. Any compromise of our security could harm our reputation and expose us to a risk of loss or litigation and possible liability and, therefore, harm our business. In addition, a party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches could damage our reputation. Our insurance policies carry low coverage limits, which may not be adequate to reimburse us for losses caused by security breaches.

IF WE DO NOT RESPOND TO RAPID TECHNOLOGICAL CHANGES TO BETTER SERVICE OUR CUSTOMERS AND MEET THEIR EXPECTATIONS, OUR SERVICES COULD BECOME OBSOLETE AND WE COULD LOSE CUSTOMERS.

As the Internet and online commerce industry evolve, we must license leading technologies useful in our business, enhance our existing services, develop new services and technology that address the increasingly sophisticated and varied needs of our prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. We may not be able to successfully implement new technologies or adapt our Web store, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If we are unable to do so, it could adversely impact our ability to build the Pets.com brand and attract and retain customers.

GOVERNMENTAL REGULATION OF THE INTERNET AND DATA TRANSMISSION OVER THE INTERNET MAY NEGATIVELY AFFECT OUR CUSTOMERS AND RESULT IN A DECREASE IN DEMAND FOR OUR PRODUCTS, WHICH WOULD CAUSE A DECLINE IN OUR SALES.

Laws and regulations directly applicable to communications or commerce over the Internet are becoming more prevalent. The most recent session of the U.S. Congress resulted in Internet laws regarding children's privacy, copyrights, taxation and the transmission of sexually explicit material. The European Union recently enacted its own privacy regulations. The law of the Internet, however, remains largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws such as those governing privacy, libel and taxation apply to Web stores

such as ours. The delays that these governmental processes entail may cause order cancellations or postponements of product purchases by our customers, which would seriously harm our business. The rapid growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose

additional burdens on companies conducting business online. The adoption or modification of laws or regulations relating to the Internet business could result in a decrease in demand for our products, which would cause a decline in our revenues.

RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE WILL FLUCTUATE AFTER THIS OFFERING, WHICH COULD RESULT IN SUBSTANTIAL LOSSES FOR INVESTORS.

Although the initial public offering price will be determined based on several factors, the market price for our common stock will vary from the initial offering price after trading commences. This could result in substantial losses for investors. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

- Quarterly variations in operating results;
- Changes in financial estimates by securities analysts;
- Announcements by us or our competitors, of new product and service offerings, significant contracts, acquisitions or strategic relationships;
- Publicity about our company, our products and services, our competitors, or e-commerce in general;
- Additions or departures of key personnel;
- Any future sales of our common stock or other securities; and
- Stock market price and volume fluctuations of publicly-traded companies in general and Internet-related companies in particular, especially Amazon.com.

The trading prices of Internet-related companies and e-commerce companies, including Amazon.com, have been especially volatile and many are at or near historical highs. Investors may be unable to resell their shares of our common stock at or above the offering price. In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources, which could seriously harm our business and operating results.

A TOTAL OF 22,044,737 SHARES, OR 74.6%, OF OUR TOTAL OUTSTANDING SHARES AFTER THE OFFERING ARE RESTRICTED FROM IMMEDIATE RESALE, BUT MAY BE SOLD INTO THE MARKET IN THE NEAR FUTURE. THIS COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DROP SIGNIFICANTLY, EVEN IF OUR BUSINESS IS DOING WELL.

Our current stockholders hold a substantial number of shares, which they will be able to sell in the public market in the near future. Sales of a substantial number of shares of our common stock could cause our stock price to fall. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock.

After this offering, we will have outstanding 29,544,737 shares of common stock. This includes 7,500,000 shares that we are selling in the offering, which may be resold immediately in the public market. The remaining 22,044,737 shares will become eligible for resale in the public market as shown in the table below.

<TABLE>
<CAPTION>

APPROXIMATE NUMBER OF SHARES/PERCENT OF OUTSTANDING AFTER THE OFFERING	DATE OF AVAILABILITY FOR RESALE INTO PUBLIC MARKET
<C>	<S>
13,420,045/45.4%	180 days after the date of the final prospectus due to agreements these stockholders have with us and the

	underwriters. However, the underwriters can waive this restriction without prior notice and allow these stockholders to sell their shares at any time.
3,134,557/10.6%	At various times after 180 days after the date of the final prospectus and through November 5, 2000 a total of approximately 3,134,557 additional shares will be eligible for sale pursuant to Rules 701 and 144.
2,454,941/8.3%	At various times after November 5, 2000 and through December 8, 2000, a total of approximately 2,454,941 additional shares will be eligible for sale pursuant to Rules 701 and 144.
1,195,097/4.0%	At various times after December 8, 2001 and through January 18, 2000, a total of approximately 1,195,097 additional shares will be eligible for sale pursuant to Rules 701 and 144.
1,840,097/6.2%	At various times after January 18, 2001, a total of approximately 1,840,097 additional shares will be eligible for sale pursuant to Rules 701 and 144.

</TABLE>

NEW STOCKHOLDERS WILL INCUR SUBSTANTIAL DILUTION OF APPROXIMATELY $5.80 PER SHARE AS A RESULT OF THIS OFFERING

The initial public offering price is expected to be substantially higher than the book value per share of our outstanding common stock. As a result, investors purchasing common stock in this offering will incur immediate substantial dilution of approximately $5.80 per share. In addition, we have issued options to acquire common stock at prices significantly below the initial public offering price. Assuming that outstanding options are exercised in full, there would be further dilution to investors in this offering of $1.70 per share. See "Dilution" for a more detailed description of how new stockholders will incur dilution.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, believe, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined in the Risk Factors section above. These factors may cause our actual results to differ materially from any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

USE OF PROCEEDS

Our net proceeds from the sale of the shares of common stock we are offering hereby are estimated to be $68.8 million, or $79.2 million if the underwriters' option to purchase additional shares is exercised in full, based on an initial offering price of $10.00 per share and after deducting the underwriting discounts and commissions and estimated offering expenses.

The principal purposes of this offering are to fund our operating losses, increase our working capital, fund our capital expenditures, create a public market for our common stock, and facilitate our future access to the public capital markets. We currently expect to use the net proceeds of this offering primarily for working capital and general corporate purposes, including marketing and brand building efforts, capital expenditures associated with the expansion and building of distribution centers, and technology and system upgrades. We are in the process of building a second distribution center which will require capital investments in facilities and equipment of $7 million to $9 million. We have not yet determined the actual expected expenditures and thus cannot estimate the amounts to be used for each of these purposes. The amounts and timing of these expenditures will vary depending on a number of factors, including the amount of cash generated by our operations, competitive and technological developments and the rate of growth, if any, of our business. In addition, we may use a portion of the net proceeds for further development of our product lines through acquisitions of products, technologies and businesses.

Accordingly, although we have no present commitments or agreements with respect to any such acquisitions, management will have significant discretion in applying the net proceeds of this offering. Pending such uses, we will invest the net proceeds in short-term, investment grade, interest-bearing securities.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999. Our capitalization is presented:

- On an actual basis;
- On a pro forma basis to give effect to the automatic conversion of all of the outstanding shares of our convertible preferred stock into shares of common stock upon the closing of this offering; and
- On a pro forma as adjusted basis to reflect the automatic conversion of all of the outstanding shares of our convertible preferred stock and our receipt of the estimated net proceeds from the sale of 7,500,000 shares of common stock in this offering at an estimated price of $10.00 per share.

<TABLE>
<CAPTION>

	DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Capital lease obligations	$ 120	$ 120	$ 120
Stockholders' equity:			
Preferred stock, $0.00125 par value, no shares authorized, issued or outstanding, actual and pro forma; 4,000,000 shares authorized, no shares issued or outstanding, pro forma as adjusted	--	--	--
Convertible Preferred Stock, $0.00125 par value;			
Series A -- 5,781,862 shares authorized; 5,781,862 shares issued and outstanding actual; none authorized, issued or outstanding, pro forma and pro forma as adjusted	7	--	--
Series B -- 11,120,000 shares authorized; 10,518,678 shares issued and outstanding actual; none authorized, issued or outstanding, pro forma and pro forma as adjusted	13	--	--
Series B-1 -- 1,040,000 shares authorized; no shares issued and outstanding actual; none authorized issued or outstanding pro forma and pro forma as adjusted	--	--	--
Common Stock $0.00125 par value; 28,800,000 shares authorized, actual and pro forma; 4,641,797 shares issued and outstanding, actual; 20,942,337 shares issued and outstanding, pro forma; 150,000,000 shares authorized, 28,442,337 shares issued and outstanding, pro forma as adjusted	6	26	35
Additional paid-in capital	128,442	128,442	197,183
Accumulated deficit	(61,778)	(61,778)	(61,778)
Stockholder note receivable	(188)	(188)	(188)
Deferred stock-based compensation	(15,382)	(15,382)	(15,382)
Total stockholders' equity	51,120	51,120	119,870
Total capitalization	$ 51,240	$ 51,240	$119,870

</TABLE>

On January 18, 2000, we issued 1,102,400 shares of Series C preferred stock to an investment entity of The Walt Disney Company. These shares will automatically convert into 1,102,400 shares of our common stock upon consummation of this offering. For additional information relating to this transaction see "Business -- Relationship with GO.com."

In addition to the shares of common stock to be outstanding after the offering, we may issue additional shares of common stock under the following plans and arrangements:

- 983,400 shares issuable upon exercise of options outstanding at a weighted average exercise price of $1.86 per share as of December 31, 1999; and

- a total of 2,068,000 shares available for future issuance under our various stock plans at December 31, 1999, excluding the annual increases in the number of shares authorized under each of our plans beginning January 1, 2001. See "Management -- Stock Plans" for a description of how these annual increases are determined.

Please read this capitalization table together with the sections of this prospectus entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements and related notes beginning on page F-1.

DILUTION

Our pro forma net tangible book value as of December 31, 1999 was approximately $50.7 million or $2.42 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of common stock outstanding, after giving effect to the automatic conversion of our convertible preferred stock. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma net tangible book value per share of common stock immediately after the completion of this offering. After giving effect to the sale of the 7,500,000 shares of common stock offered by Pets.com at an assumed initial public offering price of $10.00 per share, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of December 31, 1999 would have been approximately $119.5 million or $4.20 per share of common stock. This represents an immediate increase in pro forma net tangible book value of $1.78 per share to existing stockholders and an immediate dilution of $5.80 per share to new investors of common stock. The following table illustrates this per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price per share.....		$ 10.00
Pro forma net tangible book value per share as of December 31, 1999.....	$2.42	
Increase per share attributable to new investors.....	1.78	
Pro forma net tangible book value per share after this offering.....		4.20
Dilution per share to new investors.....		$ 5.80

</TABLE>

Assuming the exercise in full of all outstanding options, our pro forma as adjusted net tangible book value at December 31, 1999 would be $4.12 per share, representing an immediate increase in net tangible book value of $1.70 per share to our existing stockholders, and an immediate decrease in the net tangible book value per share of $1.70 to the new investors.

The following table summarizes on a pro forma basis after giving effect to the offering at an initial public offering price of $10.00 per share, as of January 18, 2000, the differences between the existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid.

<TABLE>

<CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders	22,044,737	74.6%	$121,804,000	61.9%	$ 5.53
New investors	7,500,000	25.4	75,000,000	38.1	10.00
Totals	29,544,737	100.0%	$196,804,000	100.0%	

</TABLE>

The foregoing table is based upon the number of shares actually issued and outstanding as of January 18, 2000 and assumes no exercise of options outstanding as of January 18, 2000. As of that date there were 983,400 shares issuable upon exercise of options outstanding at a weighted average exercise price of $1.86 per share. Assuming the exercise of these options, the average price per share paid by existing stockholders would have been $5.37.

SELECTED FINANCIAL AND OPERATING DATA

The selected financial and operating data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", our financial statements and the notes thereto and the other information contained in this prospectus. The selected balance sheet data as of December 31, 1999 and the selected statement of operations data for the period from February 17, 1999 (inception) to December 31, 1999 have been derived from our audited financial statements appearing elsewhere in this prospectus. The selected balance sheet data as of September 30, 1999 has been derived from our audited financial statements not included in this prospectus. The statement of operations data for the quarters ended June 30, 1999, September 30, 1999 and December 31, 1999 have been derived from our unaudited financial statements not included in this prospectus. We prepared the unaudited financial statements on substantially the same basis as the audited financial statements and, in our opinion, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations for the quarters ended June 30, 1999, September 30, 1999 and December 31, 1999. The historical results presented below are not necessarily indicative of future results.

The calculation of pro forma net loss per share gives effect to the automatic conversion of all of the outstanding shares of our convertible preferred stock into shares of common stock upon the completion of this offering.

SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	QUARTER ENDED JUNE 30, 1999	QUARTER ENDED SEPTEMBER 30, 1999	QUARTER ENDED DECEMBER 31, 1999	PERIOD FROM FEBRUARY 17, 1999 (INCEPTION) TO DECEMBER 31, 1999
<S>	<C>	<C>	<C>	<C>
STATEMENTS OF OPERATIONS:				
Net sales	$ 39	$ 568	$ 5,168	$ 5,787
Cost of goods sold	(76)	(1,766)	11,570	(13,412)
Gross margin	(37)	(1,198)	(6,402)	(7,625)
Operating expenses:				
Marketing and sales	1,122	10,693	30,676	42,491
Product development	1,624	2,194	2,646	6,481
General and administrative	838	1,205	2,211	4,254
Amortization of stock-based compensation	--	1,139	979	2,118
Total operating expenses	3,584	15,231	36,512	55,344
Operating loss	(3,621)	(16,429)	(42,914)	(62,969)
Interest income, net	123	577	491	1,191

Net loss	$ (3,498)	$ (15,852)	$ (42,423)	$ (61,778)
Basic and diluted net loss per share	$ (2.41)	$ (10.91)	$ (28.92)	$ (42.42)
Weighted average shares outstanding used to compute basic and diluted net loss per share	1,453,470	1,453,470	1,466,803	1,456,489
Pro forma basic and diluted net loss per share				$ (3.48)
Weighted average shares outstanding used to compute pro forma basic and diluted net loss per share				17,757,028

	SEPTEMBER 30, 1999	DECEMBER 31, 1999
BALANCE SHEET DATA:		
Cash and cash equivalents	$36,231	$ 30,196
Working capital	34,913	36,088
Total assets	48,399	60,310
Convertible preferred stock and related paid-in capital	60,382	109,637
Total stockholders' equity, including convertible preferred stock	42,584	51,120

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and the related Notes contained elsewhere in this prospectus.

OVERVIEW

Pets.com is a leading online retailer of pet products, integrating product sales with expert information and professional resources. Our broad selection of approximately 12,000 SKUs transcends the limited product selection of superstores, specialty stores and grocery stores.

We were formed in February 1999. The assets related to the Web store, including the Pets.com domain name, were sold to Pets.com, Inc. from a third party concurrent with our first round of venture capital investment. We had a small amount of revenue during the second quarter of 1999 from a limited number of products available on our Web store. From inception through the launch of the second version of our Web store in July 1999, our operations were concentrated on the development of our Web store, the opening of a distribution center in San Francisco and establishing supplier and vendor relationships. Since July 1999, we have continued these operating activities and have also focused on building sales momentum, expanding our product offerings, building vendor relationships, promoting our brand name, improving the efficiency of our order fulfillment processes and improving our customer service operations.

We derive substantially all of our revenues from the online sale of pet products. We do not currently sell live animals such as fish or reptiles, but we may do so in the future. Virtually all of our orders are fulfilled from our distribution center and either billed to the customer's credit card or payment is received via check. Generally, we collect cash from credit cards in two to five days from the date ordered. If the pay-by-check method is selected, the order is shipped once the customer's check is deposited and funds are available. If a customer is not satisfied with a particular product or service we provide within 30 days of the date of purchase, we generally refund all or a portion of the sale. To date, our refunds have averaged less than 3% of net sales.

We have completed business development for our private label dog and cat food and cat litter products, which we intend to launch in the first half of 2000. We have completed the marketing plan, vendor selection, product development, consumer research, packaging development, and trademark search and registration with regard to these products. Remaining steps to be taken during 2000 include the purchase and stocking of the physical products as well as

expenditures for promotional material. We intend to expand the Pets.com brand product line in the second half of 2000 to include apparel, bowls, rawhide, chews, toys and other accessories. This expansion will require additional development expenditures, which amounts will be determined by the range of additional products offered, and this has not yet been determined.

We have incurred net losses of $61.8 million from inception to December 31, 1999. We believe that we will continue to incur net losses for at least the next four years, and possibly longer, and that the rate at which we will incur such losses will increase significantly from current levels. We anticipate our losses will increase because we expect to incur additional costs and expenses related to brand development, marketing, and other promotional activities, distribution, customer service, content development, technology and infrastructure development and other capital expenditures. However, because we only began selling products in February 1999, we have yet to achieve meaningful revenues, and we have a limited operating history on which to base an evaluation of our business and prospects.

Net Sales. Net sales consist of product sales and charges to customers for outbound shipping and handling and are net of allowances for product returns, promotional discounts and coupons. We recognize product and shipping revenues when the related product is shipped. In the future, the level of our sales will depend on a number of factors including, but not limited to, the frequency of our customers' purchases, the quantity and mix of products, pricing of products and shipping, sales promotions and discounts, seasonality and customer returns.

Cost of Sales and Gross Margin. Cost of sales consists primarily of the costs of products sold to customers and outbound and inbound shipping costs. We expect cost of sales to increase in absolute dollars to the extent that our sales volume increases. Promotional tools include rotating discounts on product segments as well as online and offline coupons to targeted audiences. We may in the future expand or increase the coupons and discounts we offer to our customers and may otherwise alter our pricing structures and policies. These changes may negatively affect our gross margin. Our gross margin will fluctuate based on a number of factors, including, but not limited to the cost of our products, our product and shipping pricing strategy, product mix, our distribution centers and inventory control. Our product margins currently range from between 20% and 25% in the aggregate. We expect that our product margins will nearly double if we are able to achieve our objective over time of broadening our product mix by adding private label food and accessories which have higher margins. In addition, our shipping costs currently range from between 100% and 110% of revenues. We expect these costs, as a percentage of revenues, to decrease to between 20% and 25% after our second distribution center in Indianapolis has achieved its target shipping level, and to decrease further thereafter as we add additional distribution centers. We expect that we will be able to achieve over time operating margins of more than 15% as we achieve greater efficiencies in our operations and increases in our gross margins and revenues.

Marketing and Sales Expenses. Marketing and sales expenses consist primarily of advertising and promotional expenditures, supplies, payroll and related expenses for personnel engaged in marketing, merchandising and business development. We intend to continue to pursue an aggressive branding and marketing campaign and, therefore, expect marketing and sales expenses to increase significantly in absolute dollars. Marketing and sales expenses may also vary considerably as a percentage of net revenues from quarter to quarter, depending on the timing of our advertising campaigns and our response to competitive developments in our market.

Product Development Expenses. Product development expenses consist primarily of payroll and related expenses for our Web store development, systems personnel, consultants, content and other Web store costs. Over the next several months, we plan to continue to work on a significant number of development projects that will result in increased product development expenses. We believe that continued investment in product development is critical to attaining our strategic objectives and maintaining our competitive position in our market and, as a result, we expect product development expenses to increase significantly in absolute dollars, but to fluctuate as a percentage of net revenue from quarter to quarter.

General and Administrative Expenses. General and administrative expenses consist of payroll and related expenses for development, design, production, finance, human resources, executive and administrative personnel, corporate

facility expenses, professional services expenses, travel and other general corporate expenses. We expect general and administrative expenses to increase in absolute dollars as we expand our staff and incur additional costs related to the anticipated growth of our business and being a public company, but to fluctuate as a percentage of net revenue from quarter to quarter.

Amortization of Stock-Based Compensation. We recorded total stock-based compensation of $17.5 million for the period from inception on February 17, 1999 to December 31, 1999 in connection with stock options granted and restricted stock issued during such periods. In the case of stock options granted, the stock-based compensation amounts represent the difference between the exercise price of stock option grants and the deemed fair value of our common stock at the time of such grants. In the case of restricted stock, the stock-based compensation represents the difference between the purchase price of the restricted stock and the deemed fair value of our common stock on the date of purchase. Such amounts are amortized as an expense over the vesting periods of the applicable agreements, resulting in amortization of stock-based compensation totaling $2.1 million for the period from inception on February 17, 1999 to December 31, 1999. The amortization expense relates to options awarded to employees in all operating expense categories. Stock-based compensation for stock options and restricted stock issued through

December 31, 1999 that will be subsequently recognized as expense for each of the next four years is estimated to be as follows:

<TABLE>
<CAPTION>

YEAR	AMOUNT (IN THOUSANDS)
<S>	<C>
2000	$ 4,375
2001	$ 4,375
2002	$ 4,375
2003	$ 2,257

</TABLE>

The amount of stock compensation expense to be recorded in future periods could decrease if options for which accrued but unvested compensation has been recorded are forfeited.

Income Taxes. There was no provision or benefit for income taxes for any period since inception due to our operating losses. As of December 31, 1999, we had $56.2 million of net operating loss carryforwards for federal income tax purposes, which expire beginning in 2019. We have not recognized any benefit from the future use of loss carryforwards for these periods or for any other period since inception because of uncertainty surrounding their realization. The amount of net operating losses that we can utilize may be limited under tax regulations in circumstances including a cumulative stock ownership change of more than 50% over a three year period. It is possible that such a change may have already occurred or could occur as a result of this offering. See Note 5 of Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

We have not provided year-to-year comparative quarterly results because we only commenced operations in February 1999.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily through private sales of convertible notes payable and preferred stock, which, through December 31, 1999, yielded net cash proceeds of $109.2 million.

Net cash used in operating activities was $65.3 million from inception on February 17, 1999 to December 31, 1999. Net cash used in operating activities for this period primarily consisted of net losses, increases in inventories and other working capital purposes.

Net cash used in investing activities was $14.5 million from inception on February 17, 1999 to December 31, 1999. Net cash used in investing activities primarily consisted of leasehold improvements and purchases of equipment and systems, including computer equipment and fixtures and furniture.

Net cash provided by financing activities was $110.0 million from inception on February 17, 1999 to December 31, 1999. Net cash provided by financing activities during each of those periods primarily consisted of cash proceeds from the issuances of preferred stock. In April 1999 we issued 5,781,862 shares of Series A preferred stock in exchange for an aggregate purchase price of $10.0 million. In June 1999 we issued 5,298,014 shares of Series B preferred stock for an aggregate purchase price of $50.0 million. In November and December 1999, we issued 5,220,664 shares of Series B preferred stock in exchange for an aggregate purchase price of $49.2 million.

As of December 31, 1999 we had $30.2 million of cash and cash equivalents. As of that date, our principal commitments consisted of obligations outstanding under capital and operating leases aggregating approximately $3.3 million through December 31, 2000. In November 1999 we invested $2 million for an equity position in PetPlace.com, Inc. and are committed to invest an additional $1.5 million no later than February 2000. Although we have no material commitments for capital expenditures, we anticipate a increase in our capital expenditures and lease commitments consistent with anticipated growth in operations, infrastructure and personnel. In the first half of 2000, we intend to add a second distribution center to ensure greater control over the distribution process and to ensure adequate supplies of products to

our customers. The second distribution center is in the final planning stages and will require capital investments in facilities and equipment of $7 million to $9 million. For 2000, we anticipate our total capital expenditures will be at least $15 million, which will include substantial expenditures toward technology and systems upgrades to support the distribution centers and increases in business volume. In January 2000, we issued 1,102,400 shares of Series C preferred stock to an affiliate of The Walt Disney Company in exchange for $11.0 million of media advertising on ABC, Inc., an affiliate of The Walt Disney Company.

We currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures through at least the next 12 months. We may need to raise additional funds prior to the expiration of such period if, for example, we pursue business or technology acquisitions or experience operating losses that exceed our current expectations. If we raise additional funds through the issuance of equity, equity-related or debt securities, such securities may have rights, preferences or privileges senior to those of the rights of our common stock and our stockholders may experience additional dilution. We cannot be certain that additional financing will be available to us on acceptable terms when required, or at all.

BUSINESS

OVERVIEW

As a leading online retailer of pet products, we are committed to serving pets and their owners by combining our product offerings with expert information on pets and their care. Through our broad selection of products and services we seek to exceed the more limited selections offered by superstores, specialty stores and grocery stores in connection with pet product retailing. One of our primary goals is to help consumers make informed purchasing decisions. For example, we provide information to help pet owners manage day-to-day needs as well as the life stages of their pet, and our topical articles and community bulletin boards focus on these and other pet care issues. Our Web store provides customers with a convenient, one-stop shopping experience and it is organized to reflect how consumers think about shopping for their pets. Our Web store currently focuses on the most popular pets, including dogs, cats, birds, fish, reptiles, ferrets, and other small pets, and our in-house distribution, fulfillment, customer service, and technology operations enable us to provide our customers with rapid turn-around and order fulfillment services. We actively participate in the pet community both through our Web store and through Pets.commitment, our charitable foundation that supports the role that pets and people play in each others' lives, and we also encourage our customers to participate with us.

INDUSTRY BACKGROUND

THE GROWTH OF THE INTERNET AND ELECTRONIC COMMERCE

The Internet has become an increasingly significant medium for communication, information exchange, and commerce. International Data Corporation estimates that there will be approximately 196 million online users worldwide at the end of 1999 and that this number will grow to approximately 399 million users by the end of 2002. Forrester Research estimates that online purchases made by consumers in the United States will grow from $20 billion in 1999 to $184 billion by 2004, representing a compound annual growth rate of 56%, and estimates that the total number of U.S. online consumers will grow from approximately 17 million in 1999 to 49 million in 2004, representing a compound annual growth rate of nearly 24%. We believe this increased usage is due to a number of factors, including a large installed base of personal computers, advances in the speed of personal computers and modems, easier and cheaper access to the Internet, improvements in network security, infrastructure and bandwidth, a broader range of online offerings, and growing consumer awareness of the benefits of online shopping.

THE PET PRODUCTS RETAIL INDUSTRY

The pet products industry is a large and growing market characterized by a loyal and emotion-driven customer base whose needs we believe are not adequately satisfied by traditional retail stores. According to the Pet Industry Joint Advisory Council, U.S. consumer spending on pet products and services grew at an annual rate of approximately 9% per year between 1993 and 1997 totaling approximately $23 billion at the end of 1997. Pets have become an increasingly important part of U.S. households, numbering over 235 million at the end of 1998, based on a survey conducted by Sloan Trends & Solutions, Inc. More than 60% of U.S. households owned a pet and 40% of those households owned more than one pet in 1998, declining from 44% in 1996, according to a recent American Pet Products Manufacturers Association study. In addition, according to Sloan Trends & Solutions, Inc., U.S. households spent on average $350 on their pets in 1998.

Pet owners generally exhibit strong emotional connections to their animals. For example, according to Sloan Trends & Solutions, Inc., over 80% of pet owners consider their pets to be members of the family, and according to a recent American Pet Products Manufacturers Association study, 62% of pet owners buy their pets gifts. In addition, over 80% of pet owners surveyed by the American Animal Hospital Association stated that in an emergency they would likely risk their life for their pet. Because of this strong human-animal bond, we believe pet owners, like parents, represent an attractive base of consumers

who seek a wide variety of products and information for their pets which promote their pets' health, well being and happiness.

Store-based pet supply retailers have traditionally served the pet product market in the United States. These include superstore retailers such as Petco Animal Supplies, Inc. and PetsMart, Inc., grocery store retailers such as Kroger Company and Safeway, Inc., mass market retailers such as Wal Mart Stores, Inc. and Kmart Corporation, and smaller, independent specialty pet products stores.

While in the aggregate these channels provide consumers with a wide selection of pet related products, we believe traditional store-based retailers for pet products have the following limitations:

Lack of One-Stop Shopping. The pet products retail market is fragmented, generally requiring consumers to shop at multiple outlets to find everything they need for their pets. For example, superstore retailers, grocery stores and mass market retailers tend to carry a deep selection of well known brand name pet products from leading vendors, but have fewer specialty products. Specialty pet stores instead tend to carry a broader selection of specialty products from smaller vendors, but usually have a limited selection of the more well known brand name products. On a combined basis, specialty pet stores control the largest percentage of sales in the U.S. pet product retail market, having 20% of U.S. sales based on data published by the Pet Industry Joint Advisory Council in 1998. This lack of one-stop shopping also applies to other online retailers who have chosen to duplicate the traditional retail model in terms of selection and are offering a subset of a superstore product mix.

Limited Geographic Coverage. The few pet retailers who do tend to offer a broader selection of products either operate on a regional basis or only in

metropolitan areas. This leaves a significant percentage of the U.S. population without easy access to all of the products they need for their pets. Opening additional stores would require substantial investments in real estate and inventory, as well as in trained personnel, for these chain stores. The high cost of opening and maintaining additional stores further limits the ability of retailers to serve geographic areas that are not densely populated.

Inconvenience of Store Design and Layout. We believe consumers value the opportunity to select items from a broad range of pet products that best fit their needs. However, the constraints of retail shelf space and store layouts limit traditional retailers' ability to meet many customers' needs, often dictating a limited product selection that appeals to the broadest number of consumers. Products are typically displayed by brand, category or packaging to maximize stocking efficiencies, especially for bulk products such as dog food, and to promote fast selling products. Further, because of large investments in inventory required to keep stores fully stocked, traditional pet retailers often have limited flexibility to adapt their merchandising strategies to meet changing consumer demand.

Limited, Inconsistent Information. Consumers buying pet products often seek information and expert advice to assist them in making purchase decisions. However, many traditional store-based retailers do not provide consumers with easy access to useful product information or readily available on-site experts who can provide assistance. In addition, even where on-site support is available, the quality of information and expertise may be inconsistent due to the challenges of hiring, training and maintaining knowledgeable sales staff. This limits the level of customer service available to consumers.

As a result of these factors, we believe that consumers typically find the pet product shopping experience to be both inconvenient and unpleasant. Shopping for pet products in retail stores can involve making trips to multiple stores, extended searching for desired products, waiting in line to make a purchase and carrying home heavy bags of pet food, litter or other bulk products.

THE PETS.COM SOLUTION

We are a leading online retailer of pet products integrating product sales with expert information on pets and their care. Our mission is to serve pets and their owners with the best care possible through broad product selection, expert information and superior service. We seek to address the entire pet products market, transcending the limited product selection of superstores, specialty stores and grocery stores. Our Web store tightly integrates broad product selection with highly relevant content, providing consumers with

the pet-related information they need to make informed purchase decisions. Additionally, we provide information to help pet owners manage the life stages of their pet coupled with topical articles that address their pet care needs. We believe that our Web store provides customers with a superior one-stop shopping experience, with direct delivery to their doors.

We are distinguished in the online pet retail industry because of our in-house control over key aspects of our business. Our online design and editorial team is responsible for the consumer shopping experience, creation and delivery of pet information, and general usability of our Web store. Our technology group is responsible for the development and maintenance of our Web store and back-end transaction processing and fulfillment. Our merchandising team has more than 90 years of combined buying and merchandising experience and deep product knowledge which enables them to build and maintain close relationships with manufacturers and build our private label business. Our in-house distribution and fulfillment operation enables full control over the product supply process from product mix to customer shipments. Our customer service department manages the communication with customers. We believe our in-house control of these functions is an important strength that enhances our competitive position in the pet products industry.

We attract and retain consumers by emphasizing the following key attributes:

Extensive Product Selection Enables One-Stop-Shopping. We provide consumers with one-stop-shopping for their pet care needs, with direct delivery to their doors. Our broad selection addresses nearly the entire pet products market, transcending the limited product selection of superstores, specialty stores and grocery stores. We cater to the needs and interests of consumers who own dogs,

cats, fish, birds, ferrets, reptiles, and other small pets. As of December 1999, we had shipped products to approximately 144,000 customers. With only one distribution center, our SKU count is currently equivalent to the number of SKUs available at the largest pet superstores, and by the middle of 2000 is projected to increase to roughly two times the SKUs available at these stores. Our online business model enables us to aggregate a diverse product selection that is not generally found in single retail outlets, respond more quickly to new product introductions than traditional retailers, and dynamically change our mix on a national basis to meet consumer needs and interests.

Expert Information and Professional Resources. Because of the emotional attachment consumers have toward their pets, they value extensive information from experts to give them confidence that they are giving their pets the best care possible. We offer this information to consumers in several different ways:

- Editorials. Our in-house staff of pet experts, veterinarians, an animal behavior specialist, and a pet attorney provide consumers with advice on a wide variety of animal topics. We offer an "Ask the Vet" column hosted by one of our veterinarians, in which answers are given to customer questions. In addition, multiple articles are posted weekly spanning seasonal topics, current events, health, nutrition, and behavior, among others.

- Periodicals. Our offline print publication, Pets.com, The Magazine For Pets and Their Humans, is designed to further establish Pets.com in the lives of consumers and their pets, and to introduce pet owners to the products and expert information available in our Web store. Our team contributes high quality, original content spanning lifestyle, health, behavioral, and product information. The first issue of the magazine was published in November 1999, the second issue was published in January 2000, and each had a distribution of more than one million copies. We intend to publish this magazine on a bi-monthly basis.

- Professional Resources. Consumers can use our search tool to find a wide range of professional pet resources near where they live. These resources include veterinarians, hospitals and emergency care centers, kennels and boarding facilities, hotels accepting pets, and pet sitters, among others.

- Veterinary Relationships. We provide consumers with a comprehensive array of veterinary information through two exclusive strategic relationships. We have an exclusive strategic relationship with PetPlace.com which intends to launch a comprehensive, online educational library

through its Web site in the first quarter of 2000 for pet owners and veterinarians covering pet illness and wellness. PetPlace.com will provide our customers with extensive resources through links to their Web site to help them increase the quality of healthcare for their pets. We also have a strategic alliance with the American Veterinary Medical Foundation which enables us to provide information about our products in their healthcare information video sent out bi-monthly to approximately 17,000 veterinarians, who can make this information available to consumers.

Superior Shopping Experience. We believe that we provide an intuitive, easy-to-use Web store, offering extensive product selection across the most popular pet types, supported by tightly integrated, relevant editorial and searchable resource information. We categorize and organize our products to reflect how consumers shop for their pets, allowing them to browse by pet type, category, product line and individual product. Our product presentation is supported by numerous high resolution photographs of products available for sale in our Web store. We offer search capabilities across all products and editorial content. Further convenience advantages of our Web store include:

- Continuous replenishment of food and litter through "Keep It Comin' " which allows customers to schedule ongoing deliveries of products;

- A gift center, allowing consumers to match gifts to pet lifestyles and personalities; and

- Advanced personalization features, including the use of wish lists and address books.

Quality Customer Service. The typical online shopping experience begins with the search for products that meet specific needs, includes the online ordering process, and extends through product delivery and post-purchase support. We believe that the ability to accurately fulfill orders, ship products quickly to a customer's door, or efficiently handle customer inquiries is as important to customer satisfaction as product selection. We have invested significant resources to create our own fulfillment, distribution, and customer service functions rather than outsourcing these functions to a third party. The decision to build this operation in-house provides us with the ability to carry differentiated products, buy direct from manufacturers and improve product margins, reduce shipping and handling costs and provide customer satisfaction through better service.

Community. We encourage community participation both through our Web store and offline community efforts. Online consumers can participate in 60 different discussion groups covering various topics of interest across a range of pet types, and sign up to receive our online newsletter which is sent to consumers every two to three weeks. We offer specific forums for dogs, cats, fish, birds, reptiles, ferrets, horses, and small pets. Our online newsletter provides timely information, highlighting current articles and new products that are available at our Web store, and describes upcoming pet events. More than 230,000 consumers either receive our online newsletter or participate in our discussion groups each month. At the community level, we encourage participation through Pets.commitment, our charitable foundation that supports the role that pets and people play in each other's lives. Pets.commitment provides direct financial support and encourages volunteerism across animal shelters, animal therapy and service dog programs, and pet care and wellness organizations. Our intent is to contribute more than $1 million to these organizations by the end of 2000.

BUSINESS STRATEGY

Our objective is to become one of the world's leading retailers of pet products. To achieve this objective, we intend to be the one-stop shop for pet products and the definitive source for pet information. Key elements of our business strategy include:

Build Enduring Brand Equity. We have marketed our Web store to consumers through a wide range of advertising and promotional activities. We intend to continue to leverage our offline and online

marketing strategies to maximize customer awareness, attract consumers most likely to make online purchases, and enhance our brand recognition as follows:

- Advertising. We use television, radio, outdoor, and online advertising to build brand equity and create awareness. At the center of this campaign is our Pets.com sock puppet brand icon who we believe has already made an emotional connection with consumers. Media campaigns featuring this puppet communicate our key benefits of convenience, selection, and delivery.

- Online Marketing Relationships. We leverage our relationships with select online content providers and portals to attract consumers most likely to make online purchases. These include Blue Mountain Arts and some of the online properties of GO.com, including the GO Internet portal, Disney.com, Family.com, and mrshowbiz.com.

- National Events and Local Marketing. We use national sponsorships and local market efforts to build brand awareness and expand our customer base. This includes participation in national events such as the 1999 Macy's Thanksgiving Day Parade and promotion of "Take Your Dog To Work Day." Local market activities such as SPCA events, dog walks, and adoption fairs reach pet owners in a pet-related context.

Offer Broadest Product Mix. We provide consumers with one-stop shopping for their pet care needs, with direct delivery to their doors. Our broad selection addresses nearly the entire pet products market, encompassing the selection of a superstore, specialty store and grocery store. We plan to grow from a SKU count of approximately 12,000 by year-end to more than 20,000 SKUs during 2000. We will continue to purchase products directly from manufacturers in order to optimize our product selection, enable a highly flexible product mix in response to new or fast moving items, strengthen our vendor relationships, customize promotions to specific consumer demographics and purchase patterns, easily test new items, and substantively improve our margins. We are currently working to

broaden and diversify our product selection. For example, we will begin offering product in other pet-themed categories such as human apparel, calendars, picture frames and other home accessories by the first quarter of 2000. We also plan to introduce live fish during the first half of 2000 and equine-related products thereafter.

Establish Our Private Label Brands. We plan to introduce a full line of high quality, private label dog and cat food and cat litter in the first half of 2000, marketed under the Pets.complete brand name targeted to the premium buyer. Our private label business should provide further margin enhancement, continued growth of our brand, and enhanced consumer loyalty and repeat purchases. We intend to expand this product line in the second half of 2000 under the Pets.com brand name to include apparel, bowls, rawhide, chews, toys, and a range of other accessories. These private label products will only be available at our Web store and will further distinguish our product selection.

Provide Comprehensive and Relevant Content. We intend to be the definitive source of pet information. Our content is designed to address the broadest possible collection of pet types and a wide array of topics. We will increasingly deliver pet-related information in a variety of online and offline media forms, and in conjunction with a range of consumer and veterinary care partners. We will continue to encourage growing participation in a range of community forums, events, and newsletters.

Deliver Superior Customer Service and Promote Repeat Purchases. We intend to continue to deliver a superior online shopping experience that encourages repeat purchases, beginning with the initial order and continuing through product delivery and post-purchase support. To accomplish this, we intend to build features which allow greater personalization and targeting of our Web store to existing customers, and will continue to invest in people, technology and distribution facilities which will allow us to continuously improve our customer service. This in-house competency enables us to distinguish our product selection from traditional and online retailers, realize better economics through greater margin control and reduced handling and shipping costs, and allows for better communication with customers.

Continue to Maintain and Expand our Relationship with Amazon.com. Amazon.com is currently our largest stockholder and is represented on our board of directors. Although Amazon.com has no contractual obligation to provide us with consulting advice or engage in joint marketing activities, as a result of this

equity ownership in our business Amazon.com has historically provided us with a number of services that have enabled us to benefit from its extensive online retailing experience. We have been able to consult with our Amazon.com counterparts across a range of operational and strategic initiatives. We have engaged in a number of joint marketing activities including joint e-mails. In the future, we intend to work to maintain and expand this relationship to grow our business.

Continue to Maintain and Expand our Relationship with GO.com. We have a strategic relationship with GO.com, where we engage in promotions involving its online properties, including Family.com and Disney.com. We have recently expanded this relationship to include joint content development, distribution of Pets.com content on several GO.com online properties, and placement of media advertising with ABC, Inc. which, along with GO.com, is an affiliate of The Walt Disney Company. We intend to work to maintain and expand this relationship to grow our business.

Expand Internationally. We intend to expand our business internationally in order to better serve pet owners and capitalize on a global market. We intend to complete the first step in this global expansion by taking an equity stake in Petspark.com, Ltd. a UK based online pet retailer that intends to offer pet owners a full range of pet-related services including a broad selection of pet products, expert information from veterinarians and animal behaviorists, and an online community of pet owners. In addition, Petspark.com, Ltd. will have the right to use our name in its marketing in the UK. We also intend to expand into Canada in the first half of 2000.

THE PETS.COM EXPERIENCE

We offer consumers instant online access to a wide array of products, expert information and professional resources. We believe that we provide a

convenient, easy-to-use Web store, offering extensive product selection across the most popular pet types, supported by integrated, relevant editorial and searchable resource information. From our home page, consumers can access the shopping area, read pet care articles in "Today's Features," search our store for products or content, view the "Pet of the Day," access our professional resources, or participate in one of the community discussion groups. Our Web store is optimized for fast loading at a range of connection speeds. Key components of the Pets.com experience include:

Shopping at Pets.com. Our broad product selection offers products for many of the most popular pet types. We categorize and organize our products the way people shop for their pets, and support a highly visual shopping experience. Customers can shop at our online store as follows:

- Pet Type. Our product offering spans a wide selection of products for dogs, cats, fish, birds, reptiles, ferrets, and small pets like hamsters, rabbits, and guinea pigs. Our home page allows consumers to select pet type to help them narrow the choices that follow.

- Category. We provide consumers with the ability to browse categories based on the key attributes of that particular product category. For example, consumers shopping for dog food can browse by type of food, such as dry or canned, by the specific dog food brand, or by stage of their dog's life, such as puppy, adult or senior. These attributes differ by category and have been customized in our Web store to match these shopping patterns. This non-duplicative navigational approach helps eliminate the problem of consumers becoming overwhelmed as they browse hundreds of items within a category to find the product that they need.

- Product Line. We enable consumers to browse as many as a dozen product lines from a single Web page. This browsing approach closely maps the physical retail experience and highly visual nature of shopping for pet products. In this category, a pet owner might know the color of the package or the picture on the front of the box, and then recall more specific information such as the brand name when they see the package.

- Individual Product. Our product pages feature large, high quality photos of each item, and allow customers to select flavor, color, size and quantity from a single Web page. This eliminates the need for consumers to navigate through multiple Web pages to specify the attributes of a particular

item that they want to purchase. In addition, as consumers make their specific product selection, this same Web page displays product availability in real time.

- Checkout. We offer consumers a highly streamlined checkout experience requiring a minimal number of steps, only asking them for the information that is necessary to complete the transaction. The checkout area offers several convenient features such as the ability to create a personalized address book and then choose a specific address from the list by selecting it from a pull down menu.

In addition, we recently opened a gift center, which allows consumers to match gifts to pet lifestyles and personalities. For example, consumers can find gifts for "the urban pet," "the dog who has everything," or "the cat in vogue." This new area also features seasonal baskets, offering consumers gift ideas tailored to particular holidays and seasons of the year. Overall, the gift center capitalizes on our belief that consumers consider their pets to be members of the family, providing consumers with a fun, creative way to shop for their pets.

Editorial and Resource Information. We provide our customers with expert information and professional resources, tightly coupled with our product selection in order to support informed purchase decisions. The information supports various pet lifestyles from urban to rural, and the full spectrum of stages from the young pet to the aging pet. The timely, topical, relevant nature of this editorial information reinforces the emotional connection that pet owners have with their animals, which we believe will help build loyalty to Pets.com as consumers return to the store to read the latest news and information. We offer the following editorial and resource information to our customers:

- Online Articles. Our current editorial staff of in-house and freelance experts contributes 15-20 new articles per week which are posted in our Web store, spanning all pet types and a wide range of topical areas. Our experts include writers with extensive pet experience, veterinarians, an animal behaviorist, and a pet attorney. All articles contain a brief synopsis of the author's credentials in order to help consumers understand the area of expertise and qualifications of each of our writers. Our content includes product-specific information, basic pet information covering topics such as healthcare, nutrition, and behavior, and information based on seasonal topics and current events. We supplement the breadth and depth of our original content with licensed content on topics such as breed profiles and basic pet care information. Where relevant, our stories contain product references and merchandising links to support decision-making.

- Resources. Consumers can use the search tool on our Web store to find a wide range of pet resources specific to the area in which they live. This resources include veterinarians, hospitals and emergency care clinics, kennels and boarding facilities, hotels that accept pets, and pet sitters, among others.

- Pets.com, The Magazine For Pets and Their Humans. We are currently the only online pet retailer publishing a print magazine, which is designed to broaden awareness of Pets.com, drive purchase of products sold through our Web store, and increase current customer loyalty. Many pet owners will be introduced to our store through this magazine, which was published for the first time in November 1999 and again in January 2000, and was distributed to over 760,000 pet owning households. In addition, over 300,000 copies were distributed to veterinary offices, shelters, pet sitter organizations, and with our in-box product shipments to customers. We intend to publish new issues of the magazine bi-monthly.

MERCHANDISING AND PRODUCT SELECTION

Merchandising. We have assembled an in-house merchandising team with pet industry expertise spanning product design, buying, import sourcing, and retail experience. This expertise gives us several key advantages. We use our category knowledge to source a broad assortment of products that encompasses the selection of a superstore, specialty store and grocery store. We leverage our vendor relationships to buy direct and realize better pricing, rapidly bring new products to market, capitalize on promotional

opportunities, and easily test new items on a national basis. We currently offer a majority of the well known brands in the pet industry such as Science Diet, IAMS, Pedigree and Eukanuba, and other well-known brands such as Alpo, FreshStep, Friskies and Hartz. We also offer our premium private label brand that includes Pets.complete food and litter and Pets.com supplies and accessories. Over time, we anticipate that 10-20% of our revenues will come from our private label products.

Product Offering. Our product offering provides customers with a breadth and depth of selection across the most popular pet types and product categories as follows:

<TABLE>
<CAPTION>

DOGS	CATS	FISH	BIRDS
<S>	<C>	<C>	<C>
Apparel	Beds	Aeration & Bubblers	Books & Videos
Beds	Bells	Aquarium & Kits	Cage Accessories
Behavior Modification	Books	Books & Videos	Cages & Kits
Bones	Bowls	Bowls	Food
Books	Cages & Accessories	Breeding Supplies	Hand Feeding
Bowls & Supplies	Calendars	Cleaning Equipment	Healthcare & Remedies
Calendars	Cards	Decor	Nesting Supplies
Carriers	Carriers	Filtration	Toys
Chews	Catnip & Cat Grass	Food & Accessories	Treats
Collars	Collars	Health Care	Wild Bird & Wildlife
Containment	Doors & Barriers	Heaters	
Doors & Barriers	Feeders & Waterers	Lighting	FERRETS
Ears, Hooves, Etc.	Flea & Pest Control	Live Plan Supplies	Apparel
	Food	Nets	Food & Treats

Feeders & Waterers	Furniture	Pond	Grooming
Flea & Pest Control	Grooming	Saltwater Supplies	Habitats
Food	Hair Lifters & Rollers	Thermometers	Hammocks & Beds
Food Containers	Harnesses	Valves & Tubing	Health Care
Grooming	Health Care & Remedies	Water Test Kits	Leashes
Hair Lifters & Rollers	Holiday	Water Treatments	Litter
Harnesses	I.D. Tags & Belts		Litter Pans
Health Care & Remedies	Leashes	REPTILES	Toys
Holiday	Litter	Books & Videos	
Houses & Accessories	Litter Box Supplies	Bowls & Waterers	SMALL PETS
I.D. Tags	Litter Boxes	Decor	Bedding
Leashes	New Kitten	Food & Treats	Books & Videos
New Puppy	Repellents	Habitats	Bowls
Outdoor Clean-Up	Scratchers	Health Care	Cage Accessories
Rawhide	Stain & Odor	Heating	Cage Kits
Repellents	Starter Kits	Humidifiers	Carriers
Safety & First Aid	Toys	Leashes	Collars & Leashes
Stain Odor	Training	Lighting	Exercise
Starter Kits	Treats	Substrate	Feeding Supplies
Tie-Outs	Vitamins & Supplements	Thermometers	Food
Toys			Grooming
Training			Habitats
Treats & Biscuits			Health Care
Videos & CDs			Miscellaneous
Vitamins & Supplements			Toys
			Treats & Chews

</TABLE>

Product Sourcing. As of December 31, 1999, we purchased our products from a network of approximately 200 manufacturers. For the period from inception through December 31, 1999, approximately 90% of our total sales were from this network of manufacturers. In addition, we anticipate adding well over 100 new direct relationships in the first half of 2000 as we expand our product selection.

VETERINARY CARE AND SERVICES

The American Pet Products Manufacturers Association cites that approximately seven out of ten dog and cat owners and approximately two out of ten owners of birds, reptiles and small animals rely on

veterinarians when they need information about their pet. Given pet owners' reliance on veterinary expertise, we provide consumers with access to extensive veterinary care information. In parallel, we reach veterinarians with the most up-to-date research and information in order to help them better serve pet owners. We accomplish these objectives in several ways: by providing a wide variety of articles written by veterinarians; by allowing consumers to participate in our "Ask the Vet" column; and, by entering into relationships with accredited veterinary care organizations that provide consumers with in-depth information on pet illness and wellness, and that offer veterinarians access to the most current research and information on pet healthcare. A description of our strategic veterinary care relationships follows.

PetPlace.com, Inc. We have made an equity investment in PetPlace.com and entered into a three year exclusive marketing agreement which includes mutual revenue sharing and new customer bounties which are paid for every new customer referred from one site to another. PetPlace.com intends to launch an online comprehensive, interactive, educational library through its Web site in the first quarter of 2000 for pet owners and veterinarians covering illness and wellness. Consumers will be able to search for relevant information on the site before they visit their veterinarian and after the pet's illness is diagnosed. Consumers will also be able to create a personal history of their pet, which might include recommendations on food, grooming, worms, or flea control. PetPlace.com is distinguished by its exclusive relationship with Angell Memorial Animal Hospital, one of the leading veterinary specialty hospitals, whose specialists provide content for this site and online consultations for consumers.

We intend to provide our customers with in-depth veterinary care information, generate highly qualified customer leads, encourage repeat visits to our Web store, and build our brand. Our Web store is fully integrated with PetPlace.com in a number of ways: PetPlace.com consumers will be able to navigate directly from PetPlace.com articles to relevant products for purchase

at our Web store; consumers who ask our veterinarians questions will be able to receive answers to the highly specialized healthcare issues from PetPlace.com; and consumers will be able to have direct access to extensive veterinary resources available on PetPlace.com.

American Veterinary Medical Foundation. The American Veterinary Medical Foundation is a renowned professional association of over 60,000 veterinarians. Our strategic relationship with the American Veterinary Medical Foundation is a three year exclusive marketing agreement that we believe provides us with enhanced credibility. We have agreed to provide financial support in an amount of approximately $1 million to the American Veterinary Medical Foundation for key activities such as "ClientLink," a video sent out by American Veterinary Medical Foundation every two months to 17,000 veterinarians that provides up-to-date news and pet healthcare information. In return for this support, our Web store will receive bi-monthly coverage of products, services, and key initiatives, such as the launch of PetPlace.com in "ClientLink" beginning in January 2000, and we will have the right to use the American Veterinary Medical Foundation logo on our home page.

MARKETING AND PROMOTIONS

Our marketing strategy is designed to attract customers most likely to shop online, convert browsers to buyers, meet or exceed customer expectations, drive loyalty and repeat purchases, build enduring brand equity, and reinforce the human-animal bond. In order to implement this strategy, we execute an integrated marketing campaign that includes the following:

- Advertising. Our advertising is designed to build brand equity, create awareness, and generate initial purchase of products sold through our Web store. The campaign features the Pets.com sock puppet, who we believe has become popular with many consumers, and is a strategic icon of our brand. In this advertising, our sock puppet is a roving advocate for the brand, and has a playful, enthusiastic, funny, and caring personality. In our ads, he endears himself to both animals and their owners as he strives to make sure they get the products that they need. We use a mix of broadcast media including national network television, local radio in the top markets with online shoppers, outdoor advertising, online banners, text links, and e-mail newsletters.

- Amazon.com Joint Marketing. We have implemented joint marketing programs with Amazon.com. To date, this includes joint e-mails. In addition, links to our Web page rotate on Amazon.com's home page and on other book category pages, consistent with their other marketing arrangements. In all of these marketing programs, Amazon.com receives a referral fee for delivering new customers to our Web store.

- GO.com Joint Marketing. As part of our strategic relationship with GO.com, we plan to implement joint marketing programs with GO.com, which may include joint promotion of the Pets.com magazine, joint merchandise development, Pets.com development of exclusive content for Disney.com and Family.com, and key event sponsorship. In addition we intend to engage in joint online promotions including newsletters, sweepstakes and product promotions.

- National Events and Local Marketing. Our national sponsorships are designed to build brand awareness and expand our customer base. A balloon float of our Pets.com sock puppet was featured in the 1999 Macy's Thanksgiving Day Parade. We own the trademark to "Take Your Dog to Work Day," and will be launching a national publicity campaign in 2000 which includes a video news release and a "Do It Yourself Kit" that helps companies structure their own event. We are the presenting sponsor of "Dog Day Afternoon," an outdoor festival for dogs and their owners organized by Design Industries Foundation Fighting AIDS. Our local marketing activities are designed to deliver the Pets.com message in a pet-related context at the community level. This includes local market efforts such as SPCA events and dog fashion shows, and grassroots activities including dog walks and adoption fairs in high Internet penetration markets.

- Strategic Online Marketing Relationships. We have identified a select group of online companies who we believe attract buyers more likely to shop for pet products online. Our strategic relationship with GO.com allows us to be the exclusive online pet retailer for the Pets & Animals

channel on Disney.com and the Pets category on Family.com. In addition, we have agreed to purchase online advertising on the GO Internet portal, and have the right to make placements in online commerce areas within the GO Network. Our agreement with GO.com expires in January 2003, although GO.com has the right to terminate the exclusivity provisions of the agreement at times prior to expiration. We are also the exclusive online pet retailer for Blue Mountain Arts, and have created special "pet holiday cards" that are offered to consumers at Bluemountain.com. We are also the exclusive online pet retailer for PlanetOut. These agreements expire in September 2000 and April 2000, respectively. We have also entered a non-exclusive relationship with AOL on their Shopping Channel. In addition, we have an exclusive relationship with Pet Sitters International, Inc. until December 2002, under which we list their approximately 3,000 pet sitters in the resources area of our Web store in exchange for sales commissions. Furthermore, our Associates Program, based on Be Free's associate program technology, encourages other Web sites to link to our store and earn sales commissions. Associates can earn referral fees on all Pets.com purchases made from the links on their site, and earn a bounty for each new customer.

- Promotions. We selectively utilize promotional offers to further our brand building efforts. This includes promotions such as on-site merchandising of product discounts and pet-themed specials, the "Keep It Comin' " food subscription program, trial offers at local events such as organized dog walks, and coupon offers in our online newsletter and in Pets.com, The Magazine for Pets and Their Humans.

- Philanthropic Marketing. Our philanthropic marketing effort is designed to deepen our relationship with pet owners and expand our customer base. Pets.commitment is our charitable foundation, which provides direct financial support and encourages volunteerism across animal shelters, animal therapy and service dog programs, and pet care and wellness organizations. Our intent is to contribute more than $1 million to these organizations by the end of 2000. We contribute to organizations where "people help animals," such as SPCAs and humane organizations across the country including Best Friends Animal Sanctuary in Utah. We also contribute to organizations

where "animals help people," including Design Industries Foundation Fighting Aids, Canine Assistants, and The North American Disabled Riders Association.

- Public Relations. We utilize public relations to drive coverage across a wide array of high profile outlets, spanning television, radio, magazines, and newspapers.

FULFILLMENT AND DISTRIBUTION

We have built an in-house fulfillment and distribution operation which is used to manage the entire supply chain beginning with placement of the customer's order, and continuing through order processing, fulfillment, and shipment of product to the customer. In addition, we can improve our economics through lower shipping and handling costs, and a higher margin product mix availability.

We currently fulfill all customer orders from our new 143,232 square foot distribution center in Union City, California and a 84,000 square foot satellite facility in Hayward, California. We currently receive goods from our suppliers at the distribution center into an automated system which assigns bin and storage locations. The inventory system is linked to the Web store which automatically updates product availability. A team of individuals using the same automated system picks products to fill orders which are then packed on location and loaded onto UPS, United States Postal Service or other shipping trucks for distribution to consumers in all 50 states. We are committed to shipping a high volume of accurate orders, efficiently and effectively.

We believe our expertise in fulfillment and distribution, developed as the result of our experience with the original Union City distribution center, enables us to expand rapidly to our second distribution center. By adding regional distribution centers, we can significantly increase our SKU count, improve ship time to customers, and reduce shipping costs. We are in the process of establishing a second distribution center in Greenwood, Indiana. This 292,500 square foot warehouse is scheduled to open in the first half of 2000, and is

intended to mirror the SKUs carried in the Union City distribution center. We believe that two distribution centers can likely support our growth into 2001 based on anticipated levels of demand for our products, and expect to add additional distribution centers in the future.

CUSTOMER SERVICE

We believe that a high level of customer service and support is critical to retaining and expanding our customer base. Our in-house customer service team is available via phone from 6 a.m. to 8 p.m. Pacific time, Monday to Friday, and can also be reached by e-mail or fax. We have approximately 80 full-time employees in customer service as of December 31, 1999. This team is central to our ability to deliver a superior customer experience and strives to make a personal connection with each consumer.

We view Amazon.com's customer service performance to be the standard in the industry and we seek to emulate their customer service approach. We seek to exceed customer expectations. We provide proactive customer service which includes e-mail order confirmation, e-mail ship confirmation with tracking numbers, notifying customers of out-of-stock situations, and for those orders, updating customers on order status on a frequent basis. We increase staff to handle peak periods and train customer service representatives across departments to help them better understand the business.

We are dedicated to customer satisfaction. One of the ways that we deliver on this commitment is through our product, customer service, privacy, and security guarantees. Our product guarantee offers consumers a 30-day refund if their shipment is not satisfactory. Our customer service guarantee commits to a one business day response time for all inquiries. Our privacy guarantee commits that Pets.com will not sell, trade or rent personal information to other companies, and communicates that this information is used exclusively to process orders and to provide a more personalized shopping experience. Our security guarantee ensures protection of personal information and compensation to consumers for the amount of their liability, up to $50, in the unlikely event of unauthorized interception and use of their credit card.

TECHNOLOGY AND NETWORK OPERATIONS

We have implemented a broad array of services and systems for site management, searching, customer interaction, transaction processing, and fulfillment. We designed our system for scalability, reliability, and performance, using a set of software applications for:

- Displaying merchandise in a logical, customer-friendly way;
- Accepting and verifying orders;
- Processing credit card orders;
- Organizing, placing, and managing customer orders;
- Notifying and updating customers of order status;
- Managing shipment of products; and
- Managing community forums and the communication of pet and pet care information.

These services and systems use a combination of our own proprietary technologies and commercially available, licensed technologies. We selected BroadVision as our e-commerce platform, and have a non-exclusive license to use their commerce application, which has been customized by our internal engineers for the Pets.com shopping experience. This robust commerce application is integrated with our Quality Software Systems, Inc. warehouse management system, enabling a fully automated order fulfillment process. We realize many benefits from the integration of these front-end and back-end systems, including:

- the ability to track customer orders through the entire supply chain in real-time;
- make rapid changes to processes such as a change in shipping policy; or
- efficiently expand our infrastructure to support the addition of a new

distribution center.

It is our policy that our vendors meet the requirement of providing technical support 24 hours a day, 7 days a week, 365 days a year. Our Sun Microsystems, Inc. servers are Unix-based, and our software platform and architecture is integrated with an Oracle Corporation database system. Our Internet servers use Verisign, Inc. digital certificates to help conduct secure communications and transactions. Our production system is co-located at Exodus Communications, Inc. in Santa Clara, California, and provides 24-hour engineering and monitoring support. We anticipate adding an additional co-location facility in the eastern United States in stages over the course of 2000 for redundancy and performance purposes.

We address the goals of scalability, reliability and performance in a number of ways. We have replicated key components of our production system in-house in order to perform load testing that enables us to simulate our Web store and better support peak shopping periods. We aim to have fast download times and make use of caching and load balancing at the Web server and application level for optimal performance. We are implementing vertical hardware partitioning in early 2000, enabling us to do significant work on the Web store without having to take it down for maintenance.

We elected to build an in-house development and operations team augmented by outside consultants to enable faster response to changing market conditions. We only outsource development work that is considered to be non-strategic. Our in-house development team builds out new features, focusing on the software and functionality that is unique to our business. Our in-house operations team ensures that our Web store is up and running 24 hours a day, seven days a week. We incurred $6.5 million in product development expenses in the period from inception to December 31, 1999. We anticipate that we will continue to devote significant resources to product development in the future as we add new features and functionality to our Web store. Long term, we believe our in-house capability will allow us to manage strategic initiatives such as the creation of a data warehouse enabling our merchandising team to better understand our customers, and then use this information to modify our product mix and enhance our margins.

COMPETITION

The online commerce market is new, rapidly evolving and intensely competitive. We expect competition to intensify in the future. In particular, the pet products, information and services market is intensely competitive and are also highly fragmented, with no clear dominant leader in any of our market segments. Our competitors can be divided into several groups, such as:

- online stores that specialize in pet products, such as

  Petopia.com, Inc., which is owned in part by Petco Animal Supplies, Inc.
  PetsMart.com, Inc., which is owned in part by PetsMart, Inc.
  Petstore.com, Inc.;

- superstore retailers of pet products such as

  Petco Animal Supplies, Inc.
  PetsMart, Inc.;

- specialty pet stores;

- mass market retailers such as

  Wal Mart Stores, Inc.
  Kmart Corporation
  Target Stores, Inc.;

- supermarkets;

- warehouse clubs such as Costco Companies, Inc.;

- mail order suppliers of pet products; and

- pet supply departments at major department stores.

Each of these competitors operates within one or more of the pet products,

information and services segments.

We believe that the following are principal competitive factors in our market:

- brand recognition;

- product selection;

- streamlined shopping experience;

- reliability and speed of order shipment;

- customer service;

- quality of Web store content;

- speed and accessibility of Web store;

- personalized service;

- convenience; and

- price.

Many of our current and potential traditional store-based and online competitors have longer operating histories, larger customer or user bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. Many of these current and potential competitors can devote substantially more resources to Web site and systems development than we can. In addition, larger, more well-established and financed entities may acquire, invest in or form joint ventures with online competitors or pet supply retailers as the use of the Internet and other online services increases.

Some of our competitors may be able to secure products from vendors on more favorable terms, fulfill customer orders more efficiently and adopt more aggressive pricing or inventory availability policies than we can. Traditional store-based retailers also enable customers to see and feel products in a manner that is not possible over the Internet. Some of our competitors such as Petco Animal Supplies, Inc. and PetsMart, Inc. have significantly greater experience than we do in selling pet supplies and pet care products.

RELATIONSHIP WITH AMAZON.COM

We have a strategic relationship with Amazon.com whereby Amazon.com has provided free consulting services relating to the operation of our business and has promoted our Web store. Amazon.com is our largest stockholder and has invested a total of approximately $57.8 million to date in Pets.com. Mark Britto, Amazon.com's Vice President of Strategic Alliances, is a member of our Board of Directors. See "Executive Officers and Directors", "Related Party Transactions" and "Principal Stockholders" for a further discussion of Amazon.com's equity ownership of us. As part of our relationship, in April 1999 we entered into an advertising agreement with Amazon.com whereby Amazon.com provides us with online promotions mutually agreed upon, such as e-mails about Pets.com, and one or more links from different locations on its Web site to our Web store, consistent with Amazon.com's other marketing agreements. Under our agreement, the content, placement, timing, and even the extent of most of these online promotions are determined at Amazon.com's discretion and can be terminated by Amazon.com at any time. Under the agreement, we are obligated to maintain a link on our home page to Amazon.com's Web site, and pay Amazon.com a referral fee for each new customer referred from Amazon.com's Web site, reduced by new customers we refer from our Web store to Amazon.com. Unless terminated earlier for breach by the non-breaching party, the agreement will expire in October 2000.

In addition to this formal agreement, Amazon.com has provided free consulting advice to our management team upon request regarding brand building efforts, Web store design, product merchandising, fulfillment and distribution, and a variety of other operational and strategic issues that are important to our business. The existence of this relationship with Amazon.com, Amazon.com's stockholder position in Pets.com and our advertising agreement with Amazon.com, has also enabled us to attract the attention of potential corporate partners and to enter into alliances with corporate partners on favorable terms. While our

relationship with Amazon.com has received significant media attention, Amazon.com is not obligated to provide any of this advice and support.

RELATIONSHIP WITH GO.COM

We have a strategic relationship with GO.com, and its related online properties including Disney.com and Family.com, where we engage in promotions and have agreed to engage in joint content development, and placement of media advertising with ABC, Inc. The GO Internet portal is operated by Infoseek Corporation, and Disney.com, Family.com, mrshowbiz.com, and other GO.com online properties are operated by Buena Vista Internet Group, both of which are affiliates of The Walt Disney Company. In particular, we entered into a distribution agreement with Infoseek Corporation and Buena Vista Internet Group in January 2000 under which we have agreed to provide pets related content for display in various areas of the GO Network, including Disney.com and Family.com, and GO.com has agreed to include links from these areas to the Pets.com Web store. Under the agreement, we have also agreed to purchase online advertising on the GO.com Internet portal in an amount of at least $9 million during the term of agreement, and have the right to make placements in online commerce areas within the GO Network. We are also the exclusive online pet retailer within the Pets & Animals channel on Disney.com and the Pets category on Family.com. The agreement further provides that Pets.com and GO.com will engage in joint online and offline marketing and other promotions to be agreed upon, which may include joint promotion of the Pets.com magazine, joint merchandise development, Pets.com development of exclusive content for Disney.com and Family.com, and key event sponsorship. We cannot be certain however that joint online and offline marketing and other promotions will be agreed upon between parties at the levels desired by Pets.com. The agreement will expire in January 2003, unless terminated earlier for breach by the non-breaching party. In addition, GO.com has the right to terminate

the exclusivity provisions of our agreement beginning in April 2000, but no later than June 2001, if GO.com or its affiliates decide to make a significant product change or change of strategic or product focus which affects the Pets & Animal channel on Disney.com and the Pets category on Family.com. As part of the agreement, we sold shares of Series C preferred stock to Catalyst Investments, L.L.C., an affiliate of The Walt Disney Company, in exchange for media rights with ABC, Inc. These shares will be converted to common stock upon completion of this offering and they represent approximately 3.7% of our outstanding common stock after this offering, 3.6% if the underwriters' over-allotment options are exercised in full.

Because we entered into our agreement with GO.com in January 2000, which expands a prior limited joint marketing relationship, we have little experience working closely together and cannot be certain that we will be able to successfully work together in the future. In addition, many of the parties' obligations under the agreement, including joint marketing and promotional activities and Pets.com content to be displayed on the GO Internet portal, have not yet been agreed upon in detail between GO.com and us. We cannot be certain that we will be able to agree upon these activities in the manner or at the times we currently expect.

OTHER STRATEGIC RELATIONSHIPS

We continually seek to form strategic relationships to increase our access to online customers, build brand recognition, and expand our online presence. Because of our relationship with Amazon.com, we believe that we can execute fewer, more focused, and less costly ventures to accomplish our objectives over the long-term. In addition to our relationship with Amazon.com, we have established the following relationships:

General Internet Portal Sites. These companies provide an aggregated audience of Internet users to whom we market our products and services. These marketing activities drive new customers to our Web site and extend our brand. These companies are America Online, Inc., Lycos, Inc., Xoom.com, Inc., PlanetOut Corporation and Snap! L.L.C.

Pet Related Internet Sites. To ensure the strength of our brand among pet owners we have established exclusive relationships with Petplace.com, Inc. and Pet Sitters International, Inc., whose pet oriented Internet sites attract large audiences of pet owners. In addition, through our relationship with Be Free, our

Associates Program encourages other Web sites to link to our store and earn sales commissions.

Content Providers. To ensure that our site attracts and retains a large audience of pet product consumers we have established relationships with various content providers relevant to pet owners of all types. These content providers are Blue Mountain Arts, Dawbert Press, Inc. and IDG Books Worldwide, Inc.

Pets.com Sponsorships. Our relationships with these organizations not only increases our brand awareness, but also increases the goodwill associated with our brand among pet owners and the general population. These organizations are American Veterinary Medical Foundation, Best Friends Animal Sanctuary, Design Industries Foundation Fighting AIDS and NADRA Productions.

International Relationships. We have entered into a non-binding term sheet to make an equity investment in Petspark.com, a UK-based online pet retailer that intends to offer pet owners a full range of pet-related services. This relationship will include consultation, marketing support, and use of the Pets.com name. This agreement, if consummated, should allow us to expand our business internationally in order to better serve pet owners and capitalize on the global market.

INTELLECTUAL PROPERTY

We regard the protection of our copyrights, service marks, trademarks, trade dress and trade secrets as critical to our future success and rely on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect our proprietary rights in products and services. We have entered into confidentiality and invention assignment agreements with our employees

and contractors, and nondisclosure agreements with our suppliers and strategic partners to limit access to and disclosure of our proprietary information. We cannot be certain that these contractual arrangements or the other steps taken by us to protect our intellectual property will prevent misappropriation of our technology. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. While we attempt to ensure that the quality of the Pets.com products brand is maintained by such licensees, we cannot assure that such licensees will not take actions that might hurt the value of our proprietary rights or reputation. We also rely on technologies that we license from third parties, such as BroadVision, Inc., Oracle Corporation, Netscape Communications Corporation (AOL), Quality Software Systems, Inc., Sun Microsystems, and Compaq Computer Corporation, the suppliers of key e-commerce software, database technology, operating system software, and specific hardware components for our service. We cannot be certain that these third-party technology licenses will continue to be available to us on commercially reasonable terms. The loss of such technology could require us to obtain substitute technology of lower quality or performance standards or at greater cost, which could harm our business.

We have filed applications for the registration of Pets.com(TM), the Pets.com logo, Because Pets Can't Drive(TM), Keep It Comin'(TM), More Products Than a Superstore Delivers(TM), People Helping Animals, Animals Helping People(TM), Pets.commitment(TM) and our sock puppet in the U.S. and in some other countries, although we have not secured registration of any of our marks to date. We have been granted the right to use Pets.complete(TM) from a third party. We may be unable to secure these registered marks. It is also possible that our competitors or others will use marks similar to ours, which could impede our ability to build brand identity and lead to customer confusion. In addition, there could be potential trademark or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term "Pets.com." Any claims or customer confusion related to our trademark, or our failure to obtain trademark registration, would negatively affect our business. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the U.S., and effective copyright, trademark and trade secret protection may not be available in such jurisdictions. Our efforts to protect our intellectual property rights may not prevent misappropriation of our content. Our failure or inability to protect our proprietary rights could substantially harm our business.

GOVERNMENT REGULATION

We are not currently subject to direct federal, state or local regulation other than regulations applicable to businesses generally or directly applicable to retailing or electronic commerce. However, as the Internet becomes increasingly popular, it is possible that a number of laws and regulations may be adopted with respect to the Internet. These laws may cover issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Furthermore, the growth of electronic commerce may prompt calls for more stringent consumer protection laws. Several states have proposed legislation to limit the uses of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission has also initiated action against at least one online service regarding the manner in which personal information is collected from users and provided to third parties and has proposed regulations restricting the collection and use of information from minors online. We do not currently provide individual personal information regarding our users to third parties and we currently do not identify registered users by age. However, the adoption of additional privacy or consumer protection laws could create uncertainty in Web usage and reduce the demand for our products and services or require us to redesign our web site.

We are not certain how our business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, taxation, libel, obscenity, qualification to do business and export or import matters. The vast majority of these laws were adopted prior to the advent of the Internet. As a result, they do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws intended to address these issues could create

uncertainty in the Internet marketplace. This uncertainty could reduce demand for our services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

In addition to regulations applicable to businesses generally, we are regulated by federal, state or local governmental agencies with respect to the shipment of pet food, live animals and pet products, advice relating to animal care, and other matters. We currently seek to rely upon our suppliers to meet the various regulatory and other legal requirements applicable to products and services supplied by them to us. However, we are unable to verify that they have in the past, or will in the future, always do so, or that their actions are adequate or sufficient to satisfy all governmental requirements that may be applicable to these sales. We would be fined or exposed to civil or criminal liability, and we could receive potential negative publicity, if these requirements have not been fully met by our suppliers or by us directly.

LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our ordinary course of business. On September 21, 1999 Biolink L.L.C. dba ERI International sued us in Los Angeles County Superior Court for breach of contract, anticipatory breach of contract, breach of the implied covenant of good faith and fair dealing, and fraud arising out of a contract entered into for the shipment of live animals, including fish and reptiles. ERI International has stated four causes of action, three seeking damages each in an amount in excess of $2,000,000 and one seeking damages in an amount in excess of $500,000. We have answered and asserted affirmative defenses to their complaint. No trial date has been set and discovery has not yet commenced. We believe we have meritorious defenses against these claims and intend to vigorously defend against them.

EMPLOYEES

As of December 31, 1999, we had 270 employees. None of our employees is represented by a labor union. We have not experienced any work stoppages and consider our employee relations to be good.

FACILITIES

Our principal executive offices are located in San Francisco, California, where we lease approximately 17,000 square feet under a lease that expires in June 2002, with an option to extend until 2004. In April 2000, we plan to relocate to new executive offices in San Francisco, California, where we have arranged to lease approximately 40,410 square feet under a lease that expires no

earlier than April 2010. For our Northern California distribution center and satellite facility, we lease approximately 143,232 square feet in Union City, California under a sublease that expires in August 2004 and 84,000 square feet in Hayward, California under a lease that expires in November 2004. In addition, we lease approximately 15,000 square feet in San Francisco, California for additional warehouse and distribution purposes under a lease that continues on a month-to-month basis after December 31, 1999. For our second distribution center, we have entered into a lease for approximately 292,500 square feet in Greenwood, Indiana, that expires in December 2005.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors as of the date of this offering and their ages as of December 31, 1999 are as follows:

NAME	AGE	POSITION
Julia L. Wainwright	42	Chairman of the Board of Directors and Chief Executive Officer
Christopher E. Deyo	40	President
Paul G. Manca	41	Chief Financial Officer
John R. Benjamin	49	Vice President of Merchandising
John M. Hollon	44	Vice President of Editorial
John A. Hommeyer	33	Vice President of Marketing
Diane R. Hourany	45	Vice President of Customer Service
Sue Ann Latterman, V.M.D.	42	Vice President of Strategic Alliances
Ralph E. Lewis	53	Vice President of Distribution and Logistics
Paul W. Melmon	38	Vice President of Engineering
Kathryn C. Ringewald	39	Vice President of Human Resources
John B. Balousek(1)	54	Director
Mark J. Britto(2)	35	Director
John R. Hummer(1)(2)	51	Director

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(1) Member of Audit Committee
(2) Member of Compensation Committee

Julia L. Wainwright has served as our Chief Executive Officer and one of our directors since March 1999 and Chairman of the Board since December 1999. From March 1998 to February 1999, she served as Chief Executive Officer of Reel.com, Inc. From May 1997 to February 1998, Ms. Wainwright was independently researching e-commerce opportunities. From December 1996 to April 1997, she served as Chief Executive Officer of Berkeley Systems, Incorporated, as President from August 1995 to November 1996 and as Vice President of Sales and Marketing from January 1995 to August 1995. From June 1994 to December 1994, she served as Vice President of Marketing of Mindscape, Inc. From October 1993 to June 1994, she was a partner in Corporate Development Partners, a private venture capital firm. From August 1991 to October 1993, she served as Vice President of International for Spinnaker Software, Inc. From October 1988 to August 1991, she worked for Power Up Software Corporation in several positions, finishing as Vice President of International. From January 1982 to October 1988, she served in various management positions at Software Publishing, Inc. and from January 1980 to December 1982, she worked in brand management at The Clorox Company. Ms. Wainwright holds a B.S. from Purdue University.

Christopher E. Deyo has served as our President since April 1999. From July 1998 to March 1999, he served as President of Reel.com, Inc. He served as General Manager of Berkeley Systems, Incorporated from March 1997 to June 1998 and as Vice President of Marketing from September 1996 to February 1997. From May 1995 to August 1996, Mr. Deyo served as Vice President of Marketing of Microprose, Inc. From January 1995 to April 1995, Mr. Deyo was independently researching technology opportunities. From September 1987 to December 1994, he worked for Kransco Group Companies in several positions, finishing as Vice President of Marketing. Mr. Deyo co-founded Video Edge, Inc. where he served in various capacities from May 1986 to August 1987. From August 1983 to April 1986, he worked in brand management at The Procter & Gamble Company. Mr. Deyo holds a B.S. and an M.B.A. from Syracuse University.

Paul G. Manca has served as our Chief Financial Officer since September 1999. From May 1995 to September 1999, he served as Chief Financial Officer of CellNet Data Systems, Inc. From February 1987

to May 1995, he worked for BZW/Barclays, an investment bank, finishing as Managing Director and Group Head of the Communications Group within Corporate Finance. Mr. Manca holds a B.A. from the University of California at Berkeley and an M.B.A. from Golden Gate University.

John R. Benjamin has served as our Vice President of Merchandising since May 1999. From September 1990 to April 1999, Mr. Benjamin worked for Petco Animal Supplies, Inc. in several positions, finishing as Director of Imports and Global Sourcing. From December 1989 to August 1990, he served as the National Sales Manager for Suunto, USA and from September 1984 to December 1989, he worked as a buyer for Oshman's Sporting Goods, Inc. From September 1971 to July 1984, Mr. Benjamin worked for Fedco Membership Department Stores, Inc., in several positions finishing as a store manager.

John M. Hollon has served as our Vice President of Editorial since April 1999 and as Editor and Publisher of Pets.com, The Magazine for Pets and Their Humans since September 1999. From November 1996 to April 1999, he served as Group Editorial Director of Fancy Publications, Inc. Mr. Hollon also worked as a newspaper editor for 19 years, most recently with Gannett Co., Inc., as Editor of The Great Falls Tribune in Montana and as Executive Editor of The Honolulu Advertiser in Hawaii. Mr. Hollon holds a B.A. from California State University at Long Beach.

John A. Hommeyer, Jr. has served as our Vice President of Marketing since May 1999. From August 1988 to April 1999, he worked at The Procter & Gamble Company in several U.S. and international positions, finishing as Marketing Director of Global Baby Care. Mr. Hommeyer holds an A.B. from Dartmouth College.

Diane R. Hourany has served as our Vice President of Customer Service since December 1999 and as Vice President of Operations from April 1999 to November 1999. From June 1998 to April 1999, Ms. Hourany served as Vice President of Operations of Reel.com, Inc. From February 1994 to May 1998, she served as General Manager of Catalog Fulfillment for Bullock & Jones, a subsidiary of Saks Fifth Avenue, Inc. and from September 1987 to January 1994, Ms. Hourany served as Manager of Telemarketing & Customer Services of Power Up Software Corporation. Ms. Hourany holds an A.A. from Diablo Valley College.

Sue Ann Latterman, V.M.D. has served as our Vice President of Strategic Alliances since November 1999 and as Vice President of Business Development from May 1999 to October 1999. From August 1998 to April 1999, she served as Chief Operating Officer of CrossCart, Inc. From March 1996 to July 1998, Dr. Latterman worked as a consultant to the medical device industry and from October 1994 to March 1996, she served as Vice President of Clinical Affairs of Percusurge, Inc. From July 1993 to September 1994, she worked as an associate at Mohr Davidow Ventures, a private venture capital firm, and from January 1993 to June 1993, as a consultant to the biotechnology industry. From November 1990 to December 1992, she served as Manager of Market Research of Hybritech Incorporated. From July 1989 to August 1990, Dr. Latterman attended business school and from May 1985 to June 1989, she practiced veterinary medicine in Pittsburgh, Pennsylvania and Ringoes, New Jersey. Dr. Latterman holds a B.A. and V.M.D. from the University of Pennsylvania and an M.B.A. from the University of Pittsburgh.

Ralph E. Lewis has served as our Vice President of Distribution and Logistics since November 1999. From January 1998 to October 1999, he served as Vice President of Operations for Office Depot, Inc. From June 1995 to December 1997, he served as Vice President and General Manager of Softworld Services, Inc. and from June 1992 to May 1995, as General Manager of Neodata Services, Inc. From January 1992 to May 1992, Mr. Lewis served as a consultant to Egghead Discount Software, Inc. From August 1986 to May 1992, Mr. Lewis served as Vice President of Distribution for Egghead Discount Software, Inc., from June 1981 to July 1986, as Divisional Vice President of Operations for Pay 'N Save Corporation and from April 1977 to May 1981, as Operations Manager of Distribution for Save On Drugs, Inc. Mr. Lewis holds a B.S. from the University of Dayton.

Paul W. Melmon has served as our Vice President of Engineering since April 1999. From August 1998 to April 1999, he served as an Entrepreneur in Residence at Sutter Hill Ventures, L.L.C., a private venture capital firm. From November

1996 to July 1998, Mr. Melmon served as Vice President of

Engineering of Wallop Software, Inc. and from July 1994 to October 1996, as Director of Engineering of Scopus Technology, Inc. From October 1989 to July 1994, he held various technical positions at Sybase, Inc. and from November 1984 to October 1989, he served as a member of the technical staff at Hewlett-Packard Company. Mr. Melmon holds a B.S. from the University of California at Davis.

Kathryn C. Ringewald has served as our Vice President of Human Resources since April 1999. From June 1997 to April 1999, she served as Director of Human Resources of Form Factor, Inc. From August 1996 to May 1997, she served as Director of Human Resources of Berkeley Systems, Incorporated and from June 1995 to August 1996, as Vice President of Human Resources of Crystal Dynamics, Inc. From February 1994 to May 1995, Ms. Ringewald worked as a Director of Talent for Lucas Arts Entertainment Company and from October 1992 to February 1994, as a human resources consultant to various industries. From January 1990 to October 1992, she worked as a Human Resources Manager for Symantec Corporation and from June 1985 to January 1990, she served in various capacities at Apple Computer, Inc. Ms. Ringewald holds a B.A. from Dominican College.

John B. Balousek has served as one of our directors since October 1999. Mr. Balousek, a founder of PhotoAlley, Inc., served as its Executive Vice President from July 1998 to March 1999. He served as Chairman and Chief Executive Officer of True North Technologies, Inc. from March 1996 to June 1996. From March 1979 to March 1996, Mr. Balousek worked for Foote, Cone & Belding Communications, Inc. and served as its President and Chief Operating Officer from February 1991 to March 1996. He served as a director of Foote, Cone & Belding from May 1989 to May 1994, and then served as a director of True North Communications, Inc., a newly-created holding company of Foote, Cone & Belding, from June 1994 to February 1997. Mr. Balousek is also a director of Micron Electronics, Inc., Geoworks Corporation, FreeShop.com, Inc., Transilluminant Corporation, Worldwide Magnifi, Inc., and EDBH, Inc. He holds a B.A. from Creighton University and an M.S. from Northwestern University.

Mark J. Britto has served as one of our directors since January 2000, replacing Randy Tinsley of Amazon.com who served on our board from April 1999 until January 2000. Mr. Britto serves as Vice President of Strategic Alliances of Amazon.com and oversees Amazon.com's Business and Corporate Development Departments as well as its Fraud Management Division. Mr. Britto joined Amazon.com in June 1999 in connection with the acquisition by Amazon.com of Accept.com Financial Services Corporation, a company co-founded by Mr. Britto in October 1998, where he served as Vice President of Risk Management. Prior to that, from October 1994 through October 1998, Mr. Britto served as Executive Vice President of Credit Policy at FirstUSA, a subsidiary of Bank One Corporation; and from October 1991 until October 1994 he served as Senior Vice President of Risk Management at NationsBank Corp. He holds a BS in Industrial Engineering and Operations Research and an M.S. from the University of California at Berkeley

John R. Hummer has served as one of our directors since April 1999. Mr. Hummer is a general partner of Hummer Winblad Venture Partners, a private venture capital firm, which he co-founded in September 1989. From 1980 until 1989 he served as partner of Glenwood Management, a private venture capital firm. Mr. Hummer is also a director of Extensity, Inc., Industrywide Mortgage Exchange, Inc., The National Transportation Exchange, Inc., Mambo.com, and Netcontext, Inc. He holds a B.A. from Princeton University and an M.B.A. from Stanford University.

BOARD COMPOSITION

Our bylaws currently provide for a board of directors consisting of five directors. Each director is elected for a period of one year at our annual meeting of stockholders and serves until the next annual meeting or until his or her successor is duly elected and qualified. The executive officers serve at the discretion of the board of directors. There are no family relationships among any of our directors or executive officers.

BOARD COMPENSATION

Except for reimbursement for reasonable travel expenses relating to attendance at board and committee meetings and the grant of stock options, directors are not compensated for their services as directors. Our directors are eligible to participate in our 1999 Stock Plan and, upon the closing of this offering, directors who are employees of Pets.com will also be eligible to participate in our 2000 Employee Stock Purchase Plan. Julia Wainwright is the only director who is currently an employee. We have issued and sold to Ms. Wainwright 925,618 shares of common stock under our 1999 Stock Plan at a price of $0.01 per share. Ms. Wainwright's shares are subject to our right of repurchase at the original purchase price in the event that Ms. Wainwright's employment with Pets.com terminates. Our repurchase right lapses with respect to 25% of the shares purchased by Ms. Wainwright on March 10, 2000 and with respect to 1/48th of the shares on the 10th day of each month after that date. In addition, our repurchase right will lapse with respect to 50% of the remaining unvested shares held by Ms. Wainwright if she is terminated without cause within twelve months after a merger or sale of Pets.com resulting in a change of control. We have also granted to Mr. Balousek an option to purchase up to 36,000 shares of common stock at an exercise price of $1.88 per share under our 1999 Stock Plan. Mr. Balousek's stock option vests at the rate of 25% of the shares subject to this option on October 29, 2000 and 1/48th of the shares subject to this option on the 29th day of each month after that date. For additional information, see "Stock Plans."

BOARD COMMITTEES

In May 1999, our board of directors established an audit committee and a compensation committee. The audit committee reviews our annual audited financial results and unaudited quarterly results, and meets with our independent auditors to review our financial statements, internal controls and financial management practices. Our audit committee currently consists of John Balousek and John Hummer. Our compensation committee reviews and recommends to the board the compensation arrangements for our management team and administers our stock plans. Our compensation committee currently consists of John Hummer and Mark Britto.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee of our board of directors are currently John Hummer and Mark Britto. Neither of them has at any time been an officer or employee of Pets.com or any subsidiary of Pets.com. However, we have issued and sold in private placement transactions shares of preferred stock to entities affiliated with Hummer Winblad Venture Partners and to Amazon.com. Mr. Hummer is a general partner of Hummer Winblad Venture Partners which manages three investment funds that have purchased shares of our preferred stock, and Mr. Britto is Vice President of Strategic Alliances of Amazon.com that has purchased shares of our preferred stock and entered into an advertising agreement with us. The following is a summary of the stock purchase transactions between us and entities affiliated with Hummer Winblad Venture Partners, and between us and Amazon.com.

Entities Affiliated with Hummer Winblad Venture Partners

- March 10, 1999: we issued a convertible promissory note in the principal amount of $142,500 to Hummer Winblad Venture Partners III, L.P. and a second convertible promissory note in the principal amount of $7,500 to Hummer Winblad Technology Fund III, L.P., which notes were canceled and converted into shares of Series A preferred stock at $1.81 per share on April 22, 1999.

- March 19, 1999: we issued a convertible promissory note in the principal amount of $237,500 to Hummer Winblad Venture Partners III, L.P. and a second convertible promissory note in the principal amount of $12,500 to Hummer Winblad Technology Fund III, L.P., which notes were canceled and converted into shares of Series A preferred stock at $1.81 per share on April 22, 1999.

- April 22, 1999: we issued and sold to Hummer Winblad Venture Partners III, L.P. 1,911,602 shares of Series A preferred stock and to Hummer Winblad Technology Fund III, L.P. 100,610 shares of Series A Preferred Stock, all at $1.81 per share, which included cancellation and

conversion of the promissory notes issued to each entity respectively on March 10, 1999 and March 19, 1999 (including conversion of accrued

interest on the promissory notes).

- June 18, 1999: we issued and sold to Hummer Winblad Venture Partners III, L.P. and Hummer Winblad Technology Fund III, L.P. 719,735 shares and 37,881 shares, respectively, of our Series B preferred stock at $9.44 per share.

- November 5, 1999: we issued and sold to Hummer Winblad Venture Partners IV, L.P. 807,040 shares of Series B preferred stock at $9.44 per share and a convertible promissory note in the principal amount of $2,383,565, which note was cancelled and converted into shares of Series B Preferred Stock at $9.44 per share on December 8, 1999.

- December 8, 1999: we issued and sold to Hummer Winblad Venture Partners IV, L.P. 1,100,246 shares of Series B Preferred Stock at $9.44 per share, which included cancellation and conversion of the promissory note issued to this investor on November 5, 1999.

Amazon.com

- April 22, 1999: we issued and sold to Amazon.com 3,521,373 shares of Series A preferred stock at $1.81 per share.

- June 18, 1999: we issued and sold to Amazon.com 3,782,782 shares of Series B preferred stock at $9.44 per share.

- November 5, 1999: we issued and sold to Amazon.com 1,353,630 shares of Series B preferred stock at $9.44 per share and a convertible promissory note in the principal amount of $2,975,115, which note was canceled and converted into 315,244 shares of Series B preferred stock on December 8, 1999.

For additional information concerning compensation committee interlocks and insider participation in compensation decisions, please refer to our discussion of entities affiliated with Hummer Winblad Venture Partners and Amazon.com under "Related Party Transactions."

EXECUTIVE COMPENSATION

The following table provides summary information concerning the compensation to be received for services rendered to us during the fiscal year ending December 31, 1999 by each person who served as our chief executive officer, or who acted in a similar capacity, and each of the other four most highly compensated executive officers, collectively, the "named officers," each of whose aggregate compensation during our last fiscal year exceeded $100,000.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	SALARY	BONUS	OTHER ANNUAL COMPENSATION	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION
<S>	<C>	<C>	<C>	<C>	<C>
Julia L. Wainwright..... Chief Executive Officer	$147,568	$ --	$ --	--	$ --
Christopher E. Deyo..... President	134,009	--	--	523,175	--
Paul W. Melmon..... Vice President, Engineering	111,009	--	--	223,160	--
John A. Hommeyer..... Vice President, Marketing	103,395	20,000	--	140,000	25,000
Diane R. Hourany..... Vice President, Operations	99,802	10,000	--	125,763	320
Gregory McLemore..... President	39,231	--	--	--	--

</TABLE>

Mr. McLemore served as President of Pets.com from February 1999 until April 1999. On an annualized basis, Mr. McLemore's salary would have been $150,000.

Paul Manca was hired as our Chief Financial Officer in August 1999. On an annualized basis, Mr. Manca's salary would have been $175,000.

Ralph Lewis was hired as our Vice President of Distribution and Logistics in November 1999. On an annualized basis, Mr. Lewis' salary would have been $200,000.

OPTION GRANTS

The following table provides summary information regarding stock options granted to each of the named officers during the fiscal year ended December 31, 1999. The options were granted pursuant to our 1999 Stock Plan. All options are immediately exercisable; however, the underlying shares are subject to our right of repurchase at the original purchase price. Our repurchase right will lapse with respect to 25% of the shares on the one year anniversary of the vesting commencement date, and with respect to 1/48th of the shares each month thereafter. Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock performance. There is no assurance provided to any holder of our securities that the actual stock price appreciation over the ten-year option terms will be at the assumed 5% and 10% levels or at any other defined level.

OPTION GRANTS IN LAST FISCAL YEAR

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Julia L. Wainwright.....	--	--%	$ --	--	$ --	$ --
Christopher E. Deyo.....	523,175	15.7	0.19	05/12/09	8,422,566	13,470,409
Paul W. Melmon.....	191,160	5.8	0.19	05/12/09	3,077,475	4,921,878
	32,000	1.0	0.94	07/29/09	491,166	799,918
John A. Hommeyer.....	120,000	3.6	0.19	05/18/09	1,931,874	3,089,691
	20,000	0.6	1.88	11/06/09	288,179	481,148
Diane R. Hourany.....	125,760	3.8	0.19	05/12/09	2,024,652	3,238,073
Gregory McLemore.....	--	--	--	--	--	--

</TABLE>

In August 1999, we granted the right to purchase 200,000 shares of our common stock to Paul Manca, our Chief Financial Officer at an exercise price of $0.94 per share, which shares are subject to our right of repurchase at the original purchase price in the event that Mr. Manca's employment with us terminates. Our repurchase right lapses with respect to 25% of the shares in August 2000 and with respect to 1/48th of the shares monthly thereafter. In November 1999, we granted an option exercisable for 140,000 shares of our common stock to Ralph Lewis, our Vice President of Distribution and Logistics. We granted options and restricted stock awards for an aggregate of 4,253,128 shares to our employees and consultants under our 1999 Stock Plan during our fiscal year ended December 31, 1999. See "Stock Plans." Options were granted at an exercise price equal to the fair market value of the common stock, as determined by our board of directors on the date of grant.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR OPTION VALUES

The following table provides summary information concerning the shares of common stock acquired in the year ended December 31, 1999, the value realized upon exercise of stock options during that period, and the number and value of

unexercised options with respect to each of the named officers as of December 31, 1999. The value was calculated by determining the difference between the fair market value of underlying common stock and the exercise price. All options are immediately exercisable; however, the underlying shares are subject to our right of repurchase at the original purchase price. Our repurchase right will lapse with respect to 25% of the shares on the one year anniversary of the vesting commencement date, and with respect to 1/48th of the shares each month thereafter.

FISCAL YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Julia L. Wainwright.....	--	$--	--	--	$ --	$--
Christopher E. Deyo.....	523,175	0	--	--	--	--
Paul W. Melmon.....	191,160	0	32,000	--	289,920	--
John A. Hommeyer.....	120,000	0	20,000	--	162,400	--
Diane R. Hourany.....	125,763	0	--	--	--	--
Gregory McLemore.....	--	--	--	--	--	--

</TABLE>

STOCK PLANS

1999 Stock Plan. Our 1999 Stock Plan was adopted by our board of directors in February 1999 and approved by our stockholders in March 1999. The plan was amended at various times after February 1999 to increase the number of shares reserved for issuance thereunder. These amendments were approved by our stockholders. A total of 5,815,327 shares of common stock has been reserved for issuance under our stock plan. As of December 31, 1999, options to purchase 3,163,927 shares of common stock had been exercised, options to purchase a total of 983,400 shares at a weighted average exercise price of $1.86 per share were outstanding and 1,668,000 shares remained available for future grants under the plan.

In connection with this offering, our board amended the stock plan to provide for, among other things, an automatic annual increase in the number of shares of common stock reserved for issuance on the first day of each of our fiscal years beginning in 2001 and ending in 2009 equal to the lesser of:

- 800,000 shares;

- 3% of the shares outstanding on the last day of the immediately preceding fiscal year; or

- a lesser number of shares as determined by our board of directors.

The purposes of our stock plan are to attract and retain the best available personnel, to provide additional incentives to our employees and consultants and to promote the success of our business. Our stock plan provides for the granting to employees, including officers and employee directors, of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting to employees and consultants, including non-employee directors, of nonstatutory stock options and stock purchase rights. To the extent an optionee would have the right in any calendar year to exercise for the first time one or more incentive stock options for shares having an aggregate fair market value (under all plans of Pets.com and determined for each share as of the date the option to purchase the shares was granted) in excess of $100,000, any such excess options will be treated as nonstatutory stock options. If not terminated earlier, our stock plan will terminate in February 2009.

Our stock plan may be administered by the board of directors or a committee of the board. Our stock plan is currently administered by our board of directors. The administrator determines the terms of options granted under our stock plan, including the number of shares subject to the option, exercise price, term and exercisability. In no event, however, may an individual employee

receive option grants for more than 2,000,000 shares under the stock plan in any fiscal year. The exercise price of all incentive stock options granted under our stock plan must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of any incentive stock option granted to an optionee who owns stock representing more than 10% of the total combined voting power of all classes of our outstanding capital stock must equal at least 110% of the fair market value of the common stock on the date of grant. The exercise price of all nonstatutory stock options and stock purchase rights shall be the price determined by the administrator, provided, however, that the exercise price of any nonstatutory stock option or stock purchase right granted to a named officer must equal at least 100% of the fair market value of the common stock on the date of grant in order for that grant to qualify as performance-based compensation under applicable tax law. Payment of the exercise price may be made in cash or other consideration as determined by the administrator.

The administrator determines the term of options, which may not exceed 10 years (5 years in the case of an incentive stock option granted to an optionee who owns stock representing more than 10% of the total combined voting power of all classes of our outstanding capital stock). Options and stock purchase rights are generally nontransferable. The administrator may grant nonstatutory stock options and stock purchase rights with limited transferability rights in circumstances specified in the stock plan. Each option and stock purchase right may generally be exercised during the lifetime of the optionee only by the optionee or a permitted transferee. The administrator determines the vesting terms of options and stock issued pursuant to stock purchase rights. Options granted under the 1999 Stock Plan generally may be exercised immediately after the grant date, but to the extent the shares subject to the options are not vested as of the date of exercise, we retain a right to repurchase any shares that remain unvested at the time of the optionee's termination of employment by paying an amount equal to the exercise price times the number of unvested shares. Options granted under the 1999 Stock Plan generally vest at the rate of 1/4th of the total number of shares subject to the options twelve months after the date of grant and 1/48th of the total number of shares subject to the options each month thereafter.

In addition to stock options, the administrator may issue stock purchase rights under the 1999 Stock Plan to employees, non-employee directors and consultants. The administrator determines the number of shares, price, terms, conditions and restrictions related to the grant of stock purchase rights. The purchase price of a stock purchase right granted under the 1999 Stock Plan will be determined by the administrator. The period during which the stock purchase right is held open is determined by the administrator, but in no case shall this period exceed 30 days. Unless the administrator determines otherwise, the recipient of a stock purchase right must execute a restricted stock purchase agreement granting Pets.com an option to repurchase unvested shares at cost upon termination of recipient's relationship with us.

In the event of a change of control due to the sale of all or substantially all of our assets or merger of Pets.com with another corporation, then each option may be assumed or an equivalent option substituted by the successor corporation. If the successor corporation does not agree to an assumption or substitution, each outstanding stock option will terminate on the effective date of the transaction. Some option agreements issued by the administrator provide for limited acceleration of vesting following a change of control transaction.

The administrator has the authority to amend or terminate our stock plan as long as this action would not adversely affect any outstanding option or stock purchase right and provided that stockholder approval is required for some amendments to the extent required by applicable law.

2000 Employee Stock Purchase Plan. Our 2000 Employee Stock Purchase Plan was adopted by the board of directors in December 1999 and approved by our stockholders in December 1999. A total of 400,000 shares of common stock have been reserved for issuance under our purchase plan, plus an

automatic annual increase on the first day of each of our fiscal years beginning in 2001 and ending in 2010 equal to the lesser of:

- 240,000 shares;
- 1% of the shares outstanding on the last day of the immediately preceding fiscal year; or

- a lesser number of shares as determined by our board.

Our purchase plan, which is intended to qualify under Section 423 of the Internal Revenue Code, will be implemented by a series of overlapping offering periods of 24 months' duration, with new offering periods (other than the first offering period) commencing on February 1 and August 1 of each year. Each offering period will consist of four consecutive purchase periods of six months duration. The initial offering period is expected to commence on the date of this offering and end on January 31, 2002, and the initial purchase period is expected to end on July 31, 2000. The purchase plan will be administered by the board of directors or by a committee appointed by the board. Our employees (including officers and employee directors), and the employees of any majority-owned subsidiary designated by the board, are eligible to participate in the purchase plan if they are employed by us or any such subsidiary for at least 20 hours per week and more than five months per year. The purchase plan permits eligible employees to purchase common stock through payroll deductions, which may not exceed 20% of an employee's compensation, at a price equal to the lower of 85% of the fair market value of our common stock at the beginning of each offering period or at the end of each purchase period. In circumstances described in the purchase plan, the purchase price may be adjusted during an offering period to avoid our incurring adverse accounting charges. Employees may end their participation in the offering at any time during the offering period, and participation ends automatically on termination of employment with us. If not terminated earlier, the purchase plan will have a term of ten years.

The purchase plan provides that in the event of our merger with or into another corporation or a sale of all or substantially all of our assets, each right to purchase stock under the purchase plan will be assumed or an equivalent right substituted by the successor corporation. If the successor corporation does not agree to assume or substitute stock purchase rights, our board of directors will shorten the offering periods then in effect so that employees' rights to purchase stock under the purchase plan are exercised prior to the merger or sale of assets. The board of directors has the power to amend or terminate the purchase plan as long as such action does not adversely affect any outstanding rights to purchase stock thereunder, provided however, that the board of directors may amend or terminate the purchase plan or an offering period even if it would adversely affect outstanding options in order to avoid our incurring adverse accounting charges.

EMPLOYEE BENEFIT PLANS

401(k) Plan. We maintain a 401(k) tax-qualified employee savings and retirement plan covering all employees who satisfy eligibility requirements relating to minimum age and length of service. Pursuant to our 401(k) plan, eligible employees may elect to contribute up to 20% of their cash compensation to the 401(k) plan. The 401(k) plan is intended to qualify under applicable law, so that contributions to the 401(k) plan and income earned on the 401(k) plan contributions are not taxable until withdrawn. The 401(k) plan is available to our executive officers on terms not more favorable than those offered to other employees. We may elect to make contributions to the 401(k) plan at the discretion of our board of directors. No contributions have been made by us as of December 31, 1999. All employee contributions are 100% vested.

EMPLOYMENT AND CHANGE OF CONTROL ARRANGEMENTS

We have entered into the following employment and change of control arrangements with our current officers. For a description of arrangements with our former officers, directors and substantial stockholders, see "Related Party Transactions."

In March 1999, we entered into a letter agreement with Julia Wainwright, our Chief Executive Officer. Under the agreement, Ms. Wainwright receives an annual salary of $185,000 and she was granted the right to purchase 925,618 shares of common stock at a purchase price of $0.01 per share, which shares are subject to our right of repurchase at the original purchase price in the event that Ms. Wainwright's employment with us terminates. Our repurchase right lapses with respect to 25% of the shares on March 10, 2000 and with respect to 1/48th of the shares monthly thereafter. In the event of a change of control, 50% of any remaining unvested shares held by Ms. Wainwright will accelerate and vest.

In March 1999, we entered into a letter agreement with Christopher Deyo, our President. Under the agreement, Mr. Deyo receives an annual salary of

$185,000 and was granted an option to purchase 523,175 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service, and 1/48th of the shares subject to the option vest every month thereafter. In the event of a change of control, 50% of any remaining unvested shares will accelerate and vest.

In August 1999, we entered into a letter agreement with Paul Manca, our Chief Financial Officer. Mr. Manca receives an annual salary of $175,000 and was granted the right to purchase 200,000 shares of common stock at an exercise price of $0.94 per share, which shares are subject to our right of repurchase at the original purchase price in the event that Mr. Manca's employment with us terminates. Our repurchase right lapses with respect to 25% of the shares in August 2000 and with respect to 1/48th of the shares monthly thereafter.

In April 1999, we entered into a letter agreement with John Benjamin, our Vice President of Merchandising. Under the agreement, Mr. Benjamin receives an annual salary of $125,000, relocation expenses of $25,000 and was granted an option to purchase 72,000 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter.

In March 1999, we entered into a letter agreement with John Hollon, our Vice President of Editorial. Under the agreement, Mr. Hollon receives an annual salary of $100,000, received a signing of bonus of $10,000 and was granted an option to purchase 100,000 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter.

In May 1999, we entered into a letter agreement with John Hommeyer, our Vice President of Marketing. Under the agreement, Mr. Hommeyer receives an annual salary of $165,000 and received a bonus of $20,000 and relocation expenses of $25,000. Mr. Hommeyer also was granted an option to purchase 120,000 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter. In the event Mr. Hommeyer is terminated with or without cause within one year after a change of control in connection with our merger or sale or if our office is moved more than fifty miles from our current San Francisco location, Mr. Hommeyer will receive severance equal to three months of his current monthly salary.

In April 1999, we entered into a letter agreement with Diane Hourany, our Vice President of Customer Service. Under the agreement, Ms. Hourany receives an annual salary of $150,000, received a bonus of $10,000 and an option to purchase 125,763 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter. In the event of a change in control, 25% of Ms. Hourany's remaining unvested shares will accelerate and become fully vested. In the event Ms. Hourany is terminated with or without cause within one year after a change of control in connection with our merger or sale or if our office is moved more than fifty miles from our current San Francisco location, Ms. Hourany will receive severance equal to three months of her current monthly salary.

In May 1999, we entered into a letter agreement with Sue Ann Latterman, our Vice President of Strategic Alliances. Under the agreement, Ms. Latterman receives an annual salary of $150,000, received a bonus of $10,000 and was granted an option to purchase 120,000 shares of common stock at an exercise

price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter. In the event Ms. Latterman is terminated with or without cause within one year after a change of control in connection with our merger or sale or if our office is moved more than fifty miles from our current San Francisco location, Ms. Latterman will receive severance equal to three months of her current monthly salary.

In November 1999, we entered into a letter agreement with Ralph Lewis, our Vice President of Distribution and Logistics. Under the agreement, Mr. Lewis receives an annual salary of $200,000, received a bonus of $20,000, relocation expenses of $75,000, and was granted an option to purchase 140,000 shares of common stock at an exercise price of $1.88 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter. In the event of a change of control, 50% of any remaining unvested shares held by Mr. Lewis will accelerate and vest. In the event Mr.

Lewis is terminated with or without cause within one year after a change of control in connection with our merger or sale or if our office is moved more than fifty miles from our current San Francisco location, Mr. Lewis will receive severance equal to three months of his current salary.

In April 1999, we entered into a letter agreement with Paul Melmon, our Vice President of Engineering. Under the agreement, Mr. Melmon receives an annual salary of $160,000 and was granted an option to purchase 191,160 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter.

In March 1999, we entered into a letter agreement with Kathryn Ringewald, our Vice President of Human Resources. Under the agreement, Ms. Ringewald receives an annual salary of $120,000 and was granted an option to purchase 100,610 shares of common stock at an exercise price of $0.19 per share, 25% of which vest after one year of service and 1/48th of the shares subject to the option vest every month thereafter.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

We have included in our restated certificate of incorporation a provision to eliminate the personal liability of our officers and directors for monetary damages for breach or alleged breach of their fiduciary duties as officers or directors to the fullest extent permitted by the Delaware General Corporation Law. In addition, our bylaws provide that we are required to indemnify our officers and directors against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of Pets.com. We are also required to advance expenses to our officers and directors as incurred in connection with proceedings against them for which they may be indemnified. We have entered into indemnification agreements with our officers and directors and those provisions in the indemnification agreements permitting indemnification for settlement payments in shareholder derivative suits and the payment of partial indemnification, are broader than the statutory indemnification specifically provided for in Delaware law. The indemnification agreements require that we, among other things, indemnify such officers and directors against liabilities that may arise by reason of their status or service as officers and directors (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance if available on reasonable terms. We intend to obtain directors' and officers' liability insurance prior to the completion of this offering. At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for such indemnification. We believe that our charter provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

RELATED PARTY TRANSACTIONS

The following describes the significant transactions entered into between us and our directors, executive officers, stockholders and affiliates of our stockholders. All future transactions, other than compensation, stock options pursuant to our plans and other benefits to employees, generally will be approved by a majority of our board of directors including a majority of our independent and disinterested directors. If required by law, future transactions will be approved by a majority of our stockholders.

STOCK ISSUANCES TO OUR DIRECTORS, OFFICERS AND PRINCIPAL STOCKHOLDERS

Some stock option grants to our directors and executive officers are described under the caption "Management -- Executive Compensation."

Since our inception, we have issued and sold shares of our common stock and granted options to purchase common stock to our employees, directors and consultants from time to time. In addition, we have issued in private placement transactions, shares of preferred stock as follows: an aggregate of 5,781,862 shares of Series A preferred stock at $1.81 per share in April 1999, an aggregate of 10,518,678 shares of Series B preferred stock at $9.44 per share in June, November and December 1999, and an aggregate of 1,102,400 shares of Series

C preferred stock at $10.00 per share in January 2000. The following table summarizes the shares of common stock and preferred stock purchased by our named executive officers, directors and 5% stockholders and persons and entities associated with them:

<TABLE>
<CAPTION>

STOCKHOLDER	COMMON STOCK	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK
<S>	<C>	<C>	<C>	<C>
Amazon.com, Inc. (Mark J. Britto).....	--	3,521,373	5,451,656	--
Entities Affiliated with Bowman Capital Management, L.L.C.....	--	--	1,382,782	--
Entities Affiliated with Hummer Winblad Venture Partners (John R. Hummer).....	--	2,012,213	2,664,902	--
Gregory McLemore.....	1,288,470	220,690	--	--
Catalyst Investments, L.L.C.....	--	--	--	1,102,400

</TABLE>

DEBT FINANCINGS

In March 1999 we issued and sold convertible promissory notes to our following named executive officers, directors and 5% stockholders and persons and entities associated with them, in the amounts set forth opposite each party's name. The promissory notes were canceled and converted into shares of our Series A preferred stock at $1.81 per share on April 22, 1999.

<TABLE>
<CAPTION>

STOCKHOLDER	AMOUNT OF PROMISSORY NOTE(S)
<S>	<C>
Entities Affiliated with Hummer Winblad Venture Partners (John R. Hummer).....	$450,000.00

</TABLE>

In November 1999 we issued and sold convertible promissory notes to our following named executive officers, directors and 5% stockholders and persons and entities associated with them, in the amounts set forth opposite each party's name. The promissory notes were cancelled and converted into shares of our Series B preferred stock at $9.44 per share on December 8, 1999.

<TABLE>
<CAPTION>

STOCKHOLDER	AMOUNT OF PROMISSORY NOTE(S)
<S>	<C>
Amazon.com, Inc.....	$2,975,115.25
Entities Affiliated with Bowman Capital Management, L.L.C.....	$1,430,136.10
Entities Affiliated with Hummer Winblad Venture Partners....	$2,383,565.20

</TABLE>

TRANSACTIONS WITH DIRECTORS AND OFFICERS

Affiliate Relationships. The following members of our board of directors are affiliated with investors that participated in the transactions listed above: Mark J. Britto (Amazon.com, Inc.) and John Hummer (entities affiliated with Hummer Winblad Venture Partners).

In April 1999, we entered into an advertising agreement with Amazon.com pursuant to which we and Amazon.com agreed to display advertising of the other party on our respective Web sites and to provide other related promotional services. For more information on this relationship, see "Business -- Relationship with Amazon.com" and "Risk Factors -- We Depend on Our Relationship with Amazon.com to Provide Operational Expertise, Attract and Retain a Significant Number of Our Customers and Build Our Brand."

In connection with our Series A, Series B and Series C preferred stock

financings, we entered into an agreement, as amended, dated January 18, 2000 with our preferred stockholders and a holder of our common stock in which we agreed, among other things and subject to applicable laws, rules and regulations, to use reasonable efforts to cause the underwriters in this offering to offer to Amazon.com that number of shares of our common stock such that Amazon.com would hold 46% of our outstanding common stock immediately after this offering and to entities affiliated with Bowman Capital Management, L.L.C. 2.5% of the shares offered in this offering. Both Amazon.com and the Bowman parties have waived their respective rights to purchase shares of our capital stock in this offering, and they have thereby extinguished any successive rights of first refusal to purchase shares of our capital stock after this offering to which they might otherwise have been entitled. Pursuant to the agreement, Amazon.com also may not increase its ownership of our stock above the 46% threshold until the earliest to occur of the second anniversary of the closing date of our initial public offering, immediately following a change of control in connection with our merger or sale, or April 22, 2003. Until this occurs, we are required to provide notice to Amazon.com of any merger or sale that would result in our change of control. Additional terms of the agreement require that Amazon.com gives us notice of its purchase of any additional shares of our stock and complies with restrictions to allow us to qualify for pooling accounting treatment in the event of our merger or sale. In connection with proxy contests, tender offers or exchange offers, however, Amazon.com is not subject to the 46% threshold limit.

For information on employment and change in control arrangements with our officers, see "-- Employment and Change of Control Arrangements."

OTHER TRANSACTIONS

In February 1999, we issued 1,288,470 shares of our common stock to Greg McLemore in consideration of the transfer to us of the Pets.com Web store and certain domain names and software assets pursuant to a bill of sale and assignment by Mr. McLemore and Koala Computer Products, a sole proprietorship of which Mr. McLemore is sole proprietor.

In April 1999, we issued 220,690 shares of our Series A preferred stock to Mr. McLemore in consideration of the transfer to us by Mr. McLemore of domain names previously registered by Mr. McLemore that are relevant to our business and agreements concerning domain names pursuant to a bill of sale and assignment.

We have reimbursed operating expenses of approximately $175,000 that were paid on our behalf by Koala Computer Products, of which Mr. McLemore is the sole proprietor, between February 1999 and the relocation of our executive offices to San Francisco in April 1999.

Mr. McLemore and WebMagic, a corporation of which Mr. McLemore is the sole shareholder, have agreed to indemnify us for up to $500,000 in connection with a third-party online promotional agreement entered into by WebMagic and the third party relating to the Pets.com business conducted by Mr. McLemore and WebMagic prior to April 1999.

In November 1999, we loaned $187,500 to Paul Manca, our Chief Financial Officer. Mr. Manca used the loan proceeds to exercise in November 1999 options held by him to purchase 200,000 shares of our

common stock at an exercise price of $0.94 per share. These shares are subject to our right of repurchase at the original purchase price in the event that Mr. Manca's employment with us terminates. Our repurchase right lapses with respect to 25% of the shares in August 2000 and with respect to 1/48th of the shares monthly thereafter. The loan is full recourse, accrues interest at the rate of 6.08% compounded annually, and matures in November 2003 or on Mr. Manca's termination of employment. The loan is secured by the 200,000 shares of common stock held by Mr. Manca.

In January 2000, we entered into a distribution agreement with Infoseek Corporation and Buena Vista Internet Group pursuant to which we engage in promotions involving GO.com online properties and have agreed to engage in future joint content development and placement of media advertising with ABC, Inc. which, along with GO.com, is an affiliate of The Walt Disney Company. As part of the agreement, we sold 1,102,400 shares of Series C preferred stock to Catalyst Investments, L.L.C., an affiliate of Disney, in exchange for placement of media advertising on ABC, Inc.

Each of the related party transactions described in this section was negotiated at "arms-length" and we believe that each of the foregoing transactions has been made pursuant to terms that are no less favorable to us than would have been reasonably available from non-affiliated third parties.

INDEMNIFICATION AGREEMENTS

We have entered into indemnification agreements with our officers and directors that contain provisions which may require us, among other things, to indemnify our officers and directors against liabilities that may arise by reason of their status or service as officers or directors (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. See "Management -- Limitation of Liability and Indemnification Matters."

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of January 18, 2000 and as adjusted to reflect the sale of the common stock offered by us under this prospectus and upon conversion of all outstanding shares of preferred stock into common stock by:

- each stockholder known to us to own beneficially more than 5% of our common stock;
- each of our current directors and the named officers; and
- all current directors and executive officers as a group.

Except as otherwise noted, the address of each person listed in the table is c/o Pets.com, Inc., 435 Brannan Street, Suite 100, San Francisco, California 94107. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. To our knowledge, except under applicable community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned by each stockholder as of January 18, 2000. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of January 18, 2000 are deemed outstanding. Those shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. The percent of beneficial ownership for each stockholder is based on 22,044,737 shares of common stock outstanding as of January 18, 2000 on an as converted basis, and 29,544,737 shares of common stock outstanding after this offering.

<TABLE>
<CAPTION>

NAME AND ADDRESS	SHARES BENEFICIALLY OWNED	PERCENT BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>
Amazon.com, Inc. 1200 12th Avenue South, Suite 1200 Seattle, WA 98108-1226	8,973,029	40.7%	30.4%
Entities Affiliated with Hummer Winblad Venture Partners.... 2 South Park, 2nd Floor San Francisco, CA 94107	4,677,115	21.2%	15.8%
Gregory McLemore	1,499,360	6.8%	5.1%
Entities Affiliated with Bowman Capital Management, L.L.C. 1875 South Grant Street, Suite 600 San Mateo, CA 94402-7013	1,382,782	6.3%	4.7%
Catalyst Investments, L.L.C. 500 South Buena Vista Street Burbank, CA 91521	1,102,400	5.0%	3.7%
Mark J. Britto	8,973,029	40.7%	30.4%
John R. Hummer	4,677,115	21.2%	15.8%

John B. Balousek	51,894	*	*
Julia L. Wainwright	925,618	4.2%	3.1%
Christopher E. Deyo	523,175	2.4%	1.8%
Paul W. Melmon	223,160	1.0%	*%
John A. Hommeyer	120,000	*	*
Diane R. Hourany	125,763	*	*
All executive officers and directors as a group (14 persons)	16,352,364	73.2%	54.8%

</TABLE>

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* Less than 1% of the outstanding shares of common stock.

The beneficial ownership for entities affiliated with Hummer Winblad Venture Partners is comprised of 2,631,338 shares held by Hummer Winblad Venture Partners III, L.P., 138,491 shares held by Hummer Winblad Technology Fund III, L.P., and 1,907,286 shares held by Hummer Winblad Venture Partners IV,

L.P. The general partner of each of the first two funds listed in the first sentence of this paragraph is Hummer Winblad Equity Partners III, LLC, and the general partner of the third fund is Hummer Winblad Equity Partners IV, LLC. The members of each of the foregoing general partners are principals of Hummer Winblad Venture Partners.

The beneficial ownership for entities affiliated with Bowman Capital Management, L.L.C. is comprised of 486,346 shares held by Spinnaker Technology Fund, L.P., 297,411 shares held by Spinnaker Founders Fund, L.P., 19,921 shares held by Spinnaker Clipper Fund, L.P., 410,158 shares held by Spinnaker Technology Offshore Fund Limited, and 168,946 shares held by Spinnaker Offshore Founders Fund Cayman Limited. Bowman Capital Management, L.C.C. is the general partner of each of the first three entities and investment adviser to the last two offshore entities listed in the first sentence of this paragraph.

The beneficial ownership for Mark J. Britto is comprised of 8,973,029 shares held by Amazon.com. Mr. Britto is a director of Pets.com and Vice President of Strategic Alliances of Amazon.com and he disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these shares.

The beneficial ownership for John R. Hummer is comprised of 2,631,338 shares held by Hummer Winblad Venture Partners III, L.P., 138,491 shares held by Hummer Winblad Technology Fund III, L.P., and 1,907,286 shares held by Hummer Winblad Venture Partners IV, L.P. Mr. Hummer is a director of Pets.com and a member of each of Hummer Winblad Equity Partners III, LLC and Hummer Winblad Equity Partners IV, LLC, the general partners for the three investment funds listed in the first two sentences of this paragraph, and he disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these shares.

The beneficial ownership for John B. Balousek includes 36,000 shares under outstanding stock options that are currently exercisable or exercisable within 60 days of January 18, 2000.

The beneficial ownership for Paul W. Melmon includes 32,000 shares under outstanding stock options that are currently exercisable or exercisable within 60 days of January 18, 2000.

The beneficial ownership for our executive officers and directors as a group includes 280,000 shares under outstanding stock options that are currently exercisable or exercisable within 60 days of January 18, 2000.

DESCRIPTION OF CAPITAL STOCK

Upon the completion of this offering, our authorized capital stock will consist of 150,000,000 shares of common stock, $0.00125 par value per share, and 5,000,000 shares of undesignated preferred stock, $0.00125 par value per share.

COMMON STOCK

As of January 18, 2000, there were 22,044,737 shares of common stock outstanding held of record by 139 stockholders. Options to purchase an aggregate of 973,000 shares of common stock were also outstanding. There will be 29,544,737 shares of common stock outstanding, assuming no exercise of the underwriter's option to purchase additional shares, or exercise of outstanding options under our stock plans after January 18, 2000, after giving effect to the sale of the shares of common stock offered to the public in this prospectus.

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available for that purpose. In the event of liquidation, dissolution or winding up of Pets.com, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the prior distribution rights of any outstanding preferred stock. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The outstanding shares of common stock are, and the shares of common stock to be issued upon completion of this offering will be, fully paid and non-assessable.

PREFERRED STOCK

Upon the closing of the offering, the board of directors will have the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock. The board of directors will also have the authority to designate the rights, preferences, privileges and restrictions of each series of preferred stock, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series.

The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of Pets.com without further action by the stockholders. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of common stock. In some circumstances, an issuance of preferred stock could have the effect of decreasing the market price of the common stock. As of the closing of the offering, no shares of preferred stock will be outstanding and we currently have no plans to issue any shares of preferred stock.

REGISTRATION RIGHTS

As of January 18, 2000, the holders of 18,691,410 shares of common stock or their transferees are entitled to rights with respect to the registration of those shares under the Securities Act. These rights are provided under the terms of an agreement between the holders of these registrable securities and us. Subject to limitations in the agreement, the holders of at least 33 1/3% of the then outstanding registrable securities may require, on two occasions beginning six months after the date of this prospectus, that we use our best efforts to register these securities for public resale if Form S-3 is not available. If we register any of our common stock either for our own account or for the account of other security holders, all holders of these securities are entitled to include their shares of common stock in that registration, subject to the ability of the underwriters to limit the number of shares included in the offering. The holders of at least 30% of the then outstanding registrable securities may also require that we, not more than twice in any twelve-month period, register all or a portion of such securities on Form S-3 when the use of that form becomes available to us, provided, among other limitations, that the proposed aggregate selling price, net

of any underwriters' discounts or commissions, is at least $1,000,000. We will be responsible for paying all registration expenses, and the holders selling their shares will be responsible for paying all selling expenses.

ANTI-TAKEOVER PROVISIONS OF DELAWARE LAW AND OUR CHARTER DOCUMENTS

Provisions of Delaware law and our charter documents could make the acquisition of Pets.com and the removal of incumbent officers and directors more difficult. These provisions are expected to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Pets.com to negotiate with us first. We believe that the benefits of increased protection of our potential ability to negotiate with the

proponent of an unfriendly or unsolicited proposal to acquire or restructure Pets.com outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

Delaware Law. We are subject to the provisions of Section 203 of the Delaware law. In general, the statute prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date that the person became an interested stockholder unless, subject to exceptions, the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of the corporation's voting stock. These provisions may have the effect of delaying, deferring or preventing a change of control of Pets.com without further action by the stockholders.

Charter Documents. Our amended and restated certificate of incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and may not be taken by written consent. Our bylaws provide that special meetings of stockholders can be called only by the board of directors, the chairman of the board, if any, the president and holders of 50% of the votes entitled to be cast at a meeting. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting by the board of directors, the chairman of the board, if any, the president or any 50% holder. Our bylaws set forth an advance notice procedure with regard to the nomination, other than by or at the direction of the board of directors, of candidates for election as directors and with regard to business to be brought before a meeting of stockholders.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is U.S. Stock Transfer Corporation. The transfer agent's address and telephone number is 1745 Gardena Avenue, 2nd Floor, Glendale, California 91204, (818) 502-1404.

NASDAQ STOCK MARKET LISTING

We intend to apply for listing for quotation on the Nasdaq National Market under the trading symbol "IPET."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices. Furthermore, only a limited number of shares will be available for sale shortly after this offering because of pre-existing contractual and legal restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of the offering, we will have 29,544,737 outstanding shares of common stock, based on the number of shares outstanding as of January 18, 2000. Of these shares, the shares sold in the offering, plus any shares issued upon exercise of the underwriters' option to purchase additional shares, will be freely tradable without restriction under the Securities Act, unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. In general, affiliates include officers, directors or 10% stockholders.

The remaining 22,044,737 shares of our common stock outstanding are "restricted securities" within the meaning of Rule 144. These shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 of the Securities Act, which are summarized below. Sales of these shares in the public market, or the availability of such shares for sale, could adversely affect the market price of our common stock.

Our directors, officers, employees and other stockholders have entered into lock-up agreements in connection with this offering generally providing that they will not, without the prior written consent of Merrill Lynch, Pierce,

Fenner & Smith Incorporated, directly or indirectly, offer, pledge, sell, contract to sell or sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of their shares of our common stock or any securities exercisable for or convertible into shares of our common stock for a period of 180 days following the effective date of the registration statement filed pursuant to this offering. As a result of these contractual restrictions, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) and 701, shares subject to lock-up agreements will not be saleable until these agreements expire or are waived by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Taking into account the lock-up agreements, and assuming Merrill Lynch, Pierce, Fenner & Smith Incorporated does not release stockholders from these agreements, the following approximate number of additional shares will be eligible for sale in the public market at the following times:

<TABLE>
<CAPTION>

DATE OF AVAILABILITY FOR SALE	APPROXIMATE NUMBER OF ADDITIONAL SHARES
<S>	<C>
30 days after the date of the final prospectus.....	
180 days after the date of the final prospectus.....	13,420,045
At various times after the date 180 days after the date of the final prospectus and through November 5, 2000.....	3,134,557
At various times after November 5, 2000 and through December 8, 2000.....	2,454,941
At various times after December 8, 2000 and through January 18, 2001.....	1,195,097
At various times after January 18, 2001 upon the expiration of applicable holding periods.....	1,840,097

</TABLE>

Under Rule 144, the number of shares that may be sold by affiliates of our stockholders are subject to volume restrictions. In general, under Rule 144, and beginning after the expiration of the lock-up agreements, a person who has beneficially owned restricted shares, including shares that are aggregated to such person or persons, for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding which will equal approximately 295,447 shares immediately after the offering; or

- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to the sale.

In order to sell shares under Rule 144, the selling stockholder must comply with manner of sale provisions and notice requirements and current public information about us must be available. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

The holders of approximately 18,691,410 shares of common stock or their transferees are also entitled to rights with respect to registration of their shares of common stock for offer or sale to the public. If the holders, by exercising their registration rights, cause a large number of shares to be registered and sold in the public market, the sales could have a material adverse effect on the market price of our common stock.

As part of the lock-up agreements, all of our employees holding common stock or stock options may not sell shares acquired upon exercise of their options until 180 days after the effective date. Beginning 180 days after the effective date, any of our employees, officers, directors of or consultants who purchased his or her shares pursuant to a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits

affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell their shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. In addition, we intend to file one or more registration statements under the Securities Act as promptly as possible after the effective date to register shares to be issued under our employee benefit plans. As a result, any options exercised under our stock option plans or any other benefit plan after the effectiveness of a registration statement will also be freely tradable in the public market, unless the shares are held by affiliates of ours. Shares held by our affiliates will still be subject to the volume limitation, manner of sale, notice and public information requirements of Rule 144 unless the shares may otherwise be sold under Rule 701. As of January 18, 2000 there were outstanding options for the purchase of 973,000 shares, of which no shares subject to those options were vested and exercisable. No shares have been issued to date under our purchase plan or directors plan. See "Risk Factors -- Shares Eligible for Future Sale," "Management -- Stock Plans" and "Description of Capital Stock -- Registration Rights."

UNDERWRITING

GENERAL

We are offering our shares in the U.S. and Canada through the U.S. underwriters and elsewhere through the international managers. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., Thomas Weisel Partners LLC, and Warburg Dillon Read LLC are acting as U.S. representatives of the U.S. underwriters named below. Subject to the terms and conditions described in a U.S. purchase agreement among us and the U.S. underwriters, and concurrently with the sale of 1,500,000 shares to the international managers, we have agreed to sell to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase from us the number of shares listed opposite their names below.

<TABLE>
<CAPTION>

UNDERWRITERS	NUMBER OF SHARES
<S>	<C>
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Bear, Stearns & Co. Inc.....	
Thomas Weisel Partners LLC.....	
Warburg Dillon Read LLC.....	
Total.....	6,000,000

</TABLE>

We have also entered into an international purchase agreement with the international managers for sale of the shares outside the U.S. and Canada for whom Merrill Lynch International, Bear, Stearns International Limited, Thomas Weisel Partners International Limited, and UBS AG, acting through its division Warburg Dillon Read, are acting as lead managers. Subject to the terms and conditions in the international purchase agreement, and concurrently with the sale of 6,000,000 shares to the U.S. underwriters pursuant to the U.S. purchase agreement, we have agreed to sell to the international managers, and the international managers severally have agreed to purchase 1,500,000 shares from us. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. purchase agreement and the international purchase agreement.

The U.S. underwriters and the international managers have agreed to purchase all of the shares sold under the U.S. and international purchase agreements if any of these shares are purchased. If an underwriter defaults, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the U.S. underwriters and the international managers are conditioned on one another.

We have agreed to indemnify the U.S. underwriters and the international managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the U.S. underwriters and international

managers may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

COMMISSIONS AND DISCOUNTS

The U.S. representatives have advised us that the U.S. underwriters propose initially to offer the shares to the public at the initial public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The U.S. underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the per share and total public offering price, underwriting discount and proceeds before expenses to Pets.com. The information assumes either no exercise or full exercise by the U.S. underwriters and the international managers of their over-allotment options.

<TABLE>
<CAPTION>

	PER SHARE	WITHOUT OPTION	WITH OPTION
<S>	<C>	<C>	<C>
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Pets.com	$	$	$

</TABLE>

The total expenses of the offering, not including the underwriting discount, are estimated at $1,000,000 and are payable by Pets.com.

INTERSYNDICATE AGREEMENT

The U.S. underwriters and the international managers have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the U.S. underwriters and the international managers may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to U.S. persons or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement.

OVER-ALLOTMENT OPTION

We have granted an option to the U.S. underwriters to purchase up to 900,000 additional shares at the public offering price less the underwriting discount. The U.S. underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any over-allotments. If the U.S. underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that U.S. underwriter's initial amount reflected in the above table.

We have also granted an option to the international managers, exercisable for 30 days from the date of this prospectus, to purchase up to 225,000 additional shares to cover any over-allotments on terms similar to those granted to the U.S. underwriters.

RESERVED SHARES

At our request, the underwriters have reserved for sale, at the initial public offering price, approximately 5% of the shares offered by this prospectus for sale to some of our employees and persons having business relationships with us. If these persons purchase reserved shares, the number of shares available for sale to the general public will be reduced accordingly. Any reserved shares that are not orally confirmed for purchase within one business day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

NO SALES OF SIMILAR SECURITIES

We and our executive officers and directors and all existing stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first

obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other individuals have agreed not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

QUOTATION ON THE NASDAQ NATIONAL MARKET

We expect the shares to be approved for quotation on the Nasdaq National Market, subject to notice of issuance, under the symbol "IPET."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the U.S. representatives and lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares being offered in this offering to accounts over which they exercise discretionary authority.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners LLC has been named as a lead or co-manager on 110 filed public offerings of equity securities, of which 79 have been completed, and has acted as a syndicate member in an additional 54 public offerings of equity securities. Thomas Weisel Partners LLC does not have any material relationship with us or any of our officers, directors or controlling persons, except with respect to its contractual relationship with us under the underwriting agreement entered into in connection with this offering.

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

Until the distribution of the shares is completed, SEC rules may limit underwriters from bidding for and purchasing our common stock. However, the U.S. representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the U.S. representatives may reduce that short position by purchasing shares in the open market. The U.S. representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The U.S. representatives may also impose a penalty bid on underwriters and selling group members. This means that if the U.S. representatives purchase shares in the open market to reduce the underwriter's short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that U.S. representatives or the lead managers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for Pets.com by Venture Law Group, A Professional Corporation, Menlo Park, California. John V. Bautista, a director at Venture Law Group, is Secretary of Pets.com. Legal matters specified by the underwriters in connection with this offering will be passed upon for the underwriters by Shearman & Sterling, Menlo Park, California. As of the date of this prospectus, an investment partnership associated with Venture Law Group owns an aggregate of 45,502 shares of our common stock, and individual directors and attorneys of Venture Law Group beneficially own a total of 48,575 shares of our common stock.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our financial statements as of December 31, 1999 and for the period from February 17, 1999 (inception) to December 31, 1999, as set forth in their report. The financial statements audited by Ernst & Young LLP have been included in reliance on their report given on their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, a registration

statement on Form S-1, including the exhibits and schedules filed with the registration statement, under the Securities Act with respect to the shares of common stock offered hereby. This prospectus does not contain all the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to us and our common stock, we refer you to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete, and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by that reference. A copy of the registration statement may be inspected by anyone without charge at the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of all or any portion of the registration statement may be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of prescribed fees. The SEC maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

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PETS.COM, INC.

FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 17, 1999 (INCEPTION)
TO DECEMBER 31, 1999

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pets.com, Inc.

We have audited the accompanying balance sheet of Pets.com, Inc. as of December 31, 1999, and the related statements of operations, stockholders' equity, and cash flows for the period from February 17, 1999 (inception) to December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pets.com, Inc. at December 31, 1999, and the results of its operations and its cash flows for the period from February 17, 1999 (inception) to December 31, 1999, in conformity with

accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

San Francisco, California
January 14, 2000, except for Note 10 as to
which the date is January 19, 2000

PETS.COM, INC.

BALANCE SHEET
(IN THOUSANDS, EXCEPT SHARE DATA)
DECEMBER 31, 1999

<TABLE>

<S>	<C>
ASSETS	
Current assets:	
Cash and cash equivalents	$ 30,196
Inventories	6,756
Prepaid advertising expenses	7,223
Other prepaid expenses and current assets	999
Total current assets	45,174
Certificate of deposit	845
Fixed assets, net	11,327
Intangible assets	399
Other assets	2,565
Total assets	$ 60,310
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 6,563
Accrued expenses	2,137
Payable to related parties	370
Capital lease obligations	16
Total current liabilities	9,086
Capital lease obligations	104
Stockholders' equity:	
Convertible preferred stock, $.00125 par value:	
Authorized shares -- 17,941,862	
Series A preferred stock, designated 5,781,862 shares Issued and outstanding shares -- 5,781,862 (aggregate liquidation preference of $10,480)	7
Series B preferred stock, designated 11,120,000 shares Issued and outstanding shares -- 10,518,678 (aggregate liquidation preference of $99,270)	13
Series B1 preferred stock, designated 1,040,000 shares No issued or outstanding shares	--
Common stock, $.00125 par value:	
Authorized shares -- 28,800,000	
Issued and outstanding shares -- 4,641,797	6
Additional paid-in capital	128,442
Accumulated deficit	(61,778)
Stockholder note receivable	(188)
Deferred stock-based compensation	(15,382)
Total stockholders' equity	51,120
Total liabilities and stockholders' equity	$ 60,310

</TABLE>

See accompanying notes.

PETS.COM, INC.

STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

PERIOD FROM FEBRUARY 17, 1999 (INCEPTION) TO DECEMBER 31, 1999

<TABLE>
<S> <C>

Net sales	$ 5,787
Cost of goods sold	13,412
Gross margin	(7,625)
Operating expenses:	
Marketing and sales(1)	42,491
Product development(2)	6,481
General and administrative(3)	4,254
Amortization of deferred stock-based compensation	2,118
Total operating expenses	55,344
Operating loss	(62,969)
Interest income, net	1,191
Net loss	$ (61,778)
Basic and diluted net loss per share	$ (42.42)
Weighted average shares outstanding used to compute basic and diluted net loss per share	1,456,489

</TABLE>

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(1) Excluding $764 in amortization of deferred stock-based compensation.
(2) Excluding $479 in amortization of deferred stock-based compensation.
(3) Excluding $875 in amortization of deferred stock-based compensation.

See accompanying notes.

PETS.COM, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)
PERIOD FROM FEBRUARY 17, 1999 (INCEPTION) TO DECEMBER 31, 1999

<TABLE>
<CAPTION>

	CONVERTIBLE PREFERRED STOCK							
	SERIES A		SERIES B		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial issuance of common shares to founders in exchange for cash and intellectual property	--	$--	--	$--	1,449,470	$2	$ 16	$ --
Issuance of restricted shares to employee	--	--	--	--	925,618	1	11	--
Issuance of restricted shares to consultants for services	--	--	--	--	4,000	--	1	--
Issuance of Series A preferred stock, net of offering costs of $59	5,781,862	7	--	--	--	--	10,414	--
Issuance of Series B preferred stock, net of offering costs of $53	--	--	10,518,678	13	--	--	99,203	--
Exercise of common stock options	--	--	--	--	2,222,709	3	973	--
Issuance of restricted shares for asset purchase	--	--	--	--	40,000	--	324	--

Compensation related to issuance of stock options and restricted common stock	--	--	--	--	--	--	17,500	--
Amortization of deferred stock-based compensation	--	--	--	--	--	--	--	--
Net loss and comprehensive loss	--	--	--	--	--	--	--	(61,778)
Balance at December 31, 1999	5,781,862	$7	10,518,678	$13	4,641,797	$6	$128,442	$(61,778)

<CAPTION>

	STOCKHOLDER NOTE RECEIVABLE	DEFERRED STOCK-BASED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>
Initial issuance of common shares to founders in exchange for cash and intellectual property	$ --	$ --	$ 18
Issuance of restricted shares to employee	--	--	12
Issuance of restricted shares to consultants for services	--	--	1
Issuance of Series A preferred stock, net of offering costs of $59	--	--	10,421
Issuance of Series B preferred stock, net of offering costs of $53	--	--	99,216
Exercise of common stock options	(188)	--	788
Issuance of restricted shares for asset purchase	--	--	324
Compensation related to issuance of stock options and restricted common stock	--	(17,500)	--
Amortization of deferred stock-based compensation	--	2,118	2,118
Net loss and comprehensive loss	--	--	(61,778)
Balance at December 31, 1999	$(188)	$(15,382)	$ 51,120

</TABLE>

See accompanying notes.

PETS.COM, INC.

STATEMENT OF CASH FLOWS
(IN THOUSANDS)
PERIOD FROM FEBRUARY 17, 1999 (INCEPTION) TO DECEMBER 31, 1999

<TABLE>

<S>	<C>
OPERATING ACTIVITIES	
Net loss	$(61,778)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	997
Amortization of deferred stock-based compensation	2,118
Common and preferred stock issued for intellectual property	416
Common stock issued for services	1
Changes in:	

Inventories	(6,756)
Prepaid marketing expenses	(7,223)
Other prepaid expenses and current assets	(999)
Certificate of deposit	(845)
Other assets	(330)
Accounts payable, accrued expenses and other	8,700
Payable to related parties	370
Net cash used in operating activities	(65,329)
INVESTING ACTIVITIES	
Purchase of fixed assets	(12,188)
Purchase of preferred stock in PetPlace.com	(2,085)
Issuance of note receivable	(150)
Purchase of intangible software and intangible assets	(75)
Net cash used in investing activities	(14,498)
FINANCING ACTIVITIES	
Proceeds from issuances of common stock	14
Proceeds from exercise of stock options	788
Proceeds from issuance of convertible notes payable	7,385
Net proceeds from issuances of Series A preferred stock	10,021
Net proceeds from issuances of Series B preferred stock	91,831
Repayments on capital lease	(16)
Net cash provided by financing activities	110,023
Net increase in cash and cash equivalents	30,196
Cash and equivalents at beginning of period	--
Cash and equivalents at end of period	$ 30,196
SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES	
Property and equipment acquired under capital lease obligations	$ 136
Common stock issued for notes receivable	$ 188
Issue of series A preferred stock for rights to certain internet domain names	$ 400
Conversion of convertible notes payable to convertible preferred stock	$ 7,385
Issue of common stock for assets	324

</TABLE>

See accompanying notes.

PETS.COM, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Pets.com, Inc. (the Company) was incorporated in the state of California on October 7, 1998 and began its commercial operations on February 17, 1999 with the acquisition of certain assets and internet domain names. For purposes of disclosure, the Company has elected to use February 17, 1999 as the inception date for reporting, as no activities were undertaken and no costs were incurred prior to that date. The Company is engaged in the sale over the Internet of pet products, services, and information primarily in the United States.

In December 1999, the board of directors authorized the Company to proceed with an initial public offering of its common stock. If the offering is consummated as presently anticipated, all of the outstanding shares of preferred stock will automatically convert into common stock upon the closing of the initial public offering. The board of directors also authorized the reincorporation of the Company in Delaware. In conjunction with the

reincorporation, the number of authorized shares will be increased to 155,000,000 shares, of which 150,000,000 will be common stock and 5,000,000 will be undesignated preferred stock.

FISCAL YEAR

The Company's fiscal year begins on January 1 and ends on December 31 of each year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenues on product sales, net of discounts, coupons and allowances, are recognized upon shipment of the related goods. Outbound shipping and handling fees are included in net sales upon shipment. The Company provides for an estimated allowance for sales returns in the period of sale.

PRODUCT DEVELOPMENT

Product development expenses consist primarily of payroll and related expenses for website development, systems personnel, consultants, and other website costs. As the Company believes that its website is subject to continual and substantial change, expenditures relating to product development are expensed as incurred.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was $26,934,000 for the period from February 17, 1999 (inception) to December 31, 1999.

MARKETING AGREEMENTS

The Company enters into various advertising, marketing and co-marketing agreements which provide for certain advertising, reciprocal advertising, promotional and customer acquisition activities for terms generally not in excess of 12 months.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The Company's cash equivalents consist mainly of money market funds.

INVENTORIES

Inventories are stated at the lower of cost (using the first-in, first-out method) or market.

CERTIFICATE OF DEPOSIT

The certificate of deposit is restricted and secures a letter of credit related to the Company's lease agreement (see Note 4). The carrying amount approximates fair value.

FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years.

The Company capitalizes certain internal use software costs in accordance with Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Capitalized internal use software costs with an expected useful life in excess of one year are amortized on a straight-line basis over their estimated useful lives. Internal use software costs, which are subject to continual and substantial change, are expensed as incurred.

FULFILLMENT EXPENSES

The Company includes fulfillment expenses in marketing and sales in the accompanying statement of operations.

INTANGIBLE ASSETS

Intangible assets, consisting primarily of website design and customer lists acquired, are recorded at cost. Amortization is provided using the straight-line method over the estimated useful lives of the related intangible assets of 3 years.

LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to net future cash flows expected to be generated from the asset. No impairment has been recognized in the accompanying financial statements.

NET LOSS PER SHARE

Net loss per share is computed using the weighted-average number of shares of common stock outstanding less the number of shares subject to repurchase. Shares associated with stock options, warrants and the convertible preferred stock are not included in the calculation of diluted net loss per share because they are antidilutive. At December 31, 1999, there were 3,152,327 unvested or restricted common shares

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

that are subject to repurchase and 983,400 stock options that were excluded from the computation of diluted net loss per share. If the Company had reported net income, the calculation of these per share amounts would have included the dilutive effect of these common stock equivalents using the treasury stock method.

CONCENTRATION OF CREDIT RISK

The Company is subject to concentrations of credit risk from its cash investments. The Company's credit risk is managed through monitoring the stability of the financial institutions utilized and diversification of its financial resources.

The Company's financial instruments consist of cash and cash equivalents. The fair value of all financial instruments approximates the carrying amount based on the current rate offered to the Company for similar instruments.

STOCK-BASED COMPENSATION

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations, in accounting for its employee stock options rather than the alternative fair value accounting allowed by Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). APB No. 25 provides that the compensation expense relative to the Company's employee stock options is measured based on the intrinsic value of the stock option. SFAS No. 123 requires companies that continue to follow APB No. 25 to provide a pro forma disclosure of the impact of applying the fair value method of SFAS No. 123 (see Note 6).

INCOME TAXES

The Company accounts for income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be recovered. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

COMPREHENSIVE INCOME

The Company adopted SFAS No. 130, Reporting Comprehensive Income, which requires that all items that are recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The items of other comprehensive income that are typically required to be displayed are foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities. There were no items of other comprehensive income in 1999.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designed as part of a hedge transaction and, if it is, the type of hedge

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
transaction. The Company does not expect that the adoption of SFAS No. 133 will have a material impact on its financial statements because the Company does not currently hold any derivative instruments.

2. ACQUISITIONS

In November 1999, the Company purchased 2,150,537 shares of Series A convertible preferred stock of PetPlace.com, Inc., representing a 10% ownership interest, for consideration of approximately $2.0 million. The Company is obligated to purchase an additional 1,612,903 shares of Series A convertible stock for approximately $1.5 million, by February 1, 2000, concurrent with the launch of PetPlace.com, Inc.'s web site. This investment will be accounted for on the basis of cost.

In December 1999, the Company acquired the website and certain intangible assets from Coolpetstuff.com for $399,000, consisting of $75,000 in cash and 40,000 shares of common stock. The common stock issued in the acquisition is subject to an escrow agreement which allows for the release of 3,334 shares per quarter for 12 quarters, to the seller.

3. FIXED ASSETS

Fixed assets at December 31, 1999 consists of the following:

<TABLE>
<S> <C>

(In thousands)	
Computers and equipment	$ 5,100
Purchased software	2,557
Furniture and fixtures	432
Plant and equipment	2,365
Leasehold improvements	1,870
	12,324
Less accumulated depreciation and amortization	(997)
	$11,327

</TABLE>

4. LEASE COMMITMENTS

The Company leases equipment under noncancelable lease agreements that are accounted for as capital leases. Equipment under capital lease arrangements, and included in property and equipment aggregated approximately $136,000 at December 31, 1999. Related accumulated amortization was approximately $4,000 at December 31, 1999. The capital leases are secured by the related equipment, and the Company is required to maintain liability and property damage insurance under the terms of the agreement.

The Company leases its office and warehouse facilities under various operating leases, which call for fixed rental payments through 2011. The lease arrangements require letters of credit totaling $1,520,000 in the event the Company defaults on any of its lease payments of which $770,000 is secured by a certificate of deposit. Provided the Company is not in default, the letters of credit shall be reduced over the terms of the leases. Total rent expense under operating leases for the period ended December 31, 1999 approximated $482,000.

4. LEASE COMMITMENTS (CONTINUED)

Future minimum commitments under capital lease and operating leases at December 31, 1999 are as follows:

	CAPITAL LEASES	OPERATING LEASES
(In thousands)		
2000	$ 31	$ 3,231
2001	31	3,666
2002	31	3,465
2003	31	3,523
2004	21	3,281
Thereafter	--	9,395
Total minimum lease payments	145	$26,561
Less amount representing interest	25	
Present value of minimum lease payments	120	
Less current obligations	16	
Long-term obligations	$104	

5. INCOME TAXES

There has been no provision for U.S. federal, U.S. state, or foreign income taxes for any period as the Company has incurred operating losses in all periods and for all jurisdictions.

The following is a reconciliation of the statutory federal income tax rate to the Company's effective income tax rate:

Statutory federal income tax benefit	(34)%
State income tax benefit	(6)%
Valuation allowance	38%
Non-deductible stock-based compensation	2%
Income tax provision	--

Deferred income taxes reflect the net tax effects of temporary differences

between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

(In thousands)	
Deferred tax assets:	
Net operating loss carryforward	$ 22,475
Other temporary differences	1,354
Total deferred tax assets	23,829
Less valuation allowance	(23,829)
Net deferred tax assets	$ --

Net deferred tax assets have been fully offset by a valuation allowance due to a lack of operating history combined with risks and uncertainties surrounding the Company's ability to generate future taxable income. The valuation allowance increased by $23,829 for the period from February 17, 1999 (inception) to December 31, 1999.

5. INCOME TAXES (CONTINUED)

As of December 31, 1999, the Company had net operating loss carryforwards for federal income tax purposes of approximately $56,187,000, which expire in the year 2019. The Company also had net operating loss carryforwards for state income tax purposes of approximately $56,187,000 expiring in the year 2007.

Utilization of the Company's net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss before utilization.

6. STOCKHOLDERS' EQUITY

CONVERTIBLE PREFERRED STOCK

In April 1999, the Company issued 5,781,862 shares of Series A preferred stock in a private placement offering in exchange for cash proceeds of $10,079,624 and rights to certain internet domain names valued at $400,001.

In connection with the issuance of the Series A preferred stock, the Articles of Incorporation were amended to increase the total authorized number of common shares from the original 8,000,000 to 20,000,000, and to authorize a series of preferred stock consisting of 6,000,000 shares.

In June 1999, the Company issued 5,298,014 shares of Series B preferred stock in a private placement offering in exchange for cash proceeds of $50,000,003. In connection with the issuance of the Series B preferred stock, the Articles of Incorporation were amended to increase the total authorized number of common shares to 24,000,000 and preferred shares to 11,301,862.

In November 1999, the Company issued 2,848,774 additional shares of Series B convertible preferred stock and notes payable totaling $7,384,705, in a private placement offering in exchange for cash proceeds of $34,270,000. The notes payable were conditionally convertible, depending on the structure of the second closing of the Series B offering.

In connection with the issuance of additional Series B convertible preferred stock, the Articles of Incorporation were amended to increase the total authorized number of common shares to 28,800,000, and authorized preferred stock to 17,941,862 shares, including authorization of 1,040,000 Series B-1 preferred non-voting shares.

In December 1999, the Company completed the second closing of the November 1999 Series B convertible preferred stock private placement offering. In

conjunction with the closing, 1,589,405 shares of Series B convertible preferred stock were issued in exchange for $15,000,008. An additional 782,486 shares of Series B convertible preferred stock were issued in connection with the conversion of the convertible notes payable issued at the initial closing.

Each share of the Company's Series A and B preferred stock is convertible into one share of common stock at the option of the holder, subject to certain antidilution adjustments, in accordance with the conversion formula provided in the Company's Articles (currently on a 1:1 ratio). Outstanding preferred shares automatically convert into common stock at the option of the holder and upon the closing of an initial public offering of the Company's common stock. Holders of each share of preferred stock are entitled to the number of votes per share that would be equivalent to the number of shares of common stock into which a share of preferred stock is convertible and are entitled to dividends in preference to common stock, if and when declared by the Board of Directors. The Company also granted the preferred stockholders certain registration rights and agreed not to carry out certain actions without prior approval of

6. STOCKHOLDERS' EQUITY (CONTINUED)

the holders of not less than two-thirds of the outstanding preferred shares, voting together as a single class. As a condition to the Series A and B preferred stock agreements, one shareholder agreed to restrict its acquisitions of Company shares to no more than a 46% interest for a period of up to 4 years.

The Company's Series B1 preferred stock has substantially the same rights as the Series A and B preferred stock, except that it is non-voting.

COMMON STOCK

Under certain conditions, 40,000 shares of common stock issued to the Company's founders are subject to repurchase at the greater of the price originally paid or the fair market value of the stock at the time of repurchase. The repurchase provisions expire at the earlier of 36 months from the issuance date of the common stock or an initial public offering of the Company.

On February 17, 1999, the Company issued 1,288,470 common shares, for total consideration of $16,106 to a founder in exchange for certain tangible and intangible assets. In connection with subsequent upgrades to the Company's website, these costs were recorded to general and administrative expense in the accompanying statement of operations.

1999 STOCK PLAN

Under the terms of the 1999 Stock Plan (the 1999 option plan), the Board of Directors may grant incentive and nonqualified stock options to employees, officers, directors, agents, consultants, and independent contractors of the Company. In connection with the introduction of the 1999 Stock Plan, 2,829,734 shares of common stock were reserved for future issuance. During 1999, the Company increased the number of shares reserved for issuance under such plan to 5,815,327 shares, plus an evergreen provision which allows for an increase in the authorized number of shares on the first day of each of the fiscal years from 2001 to 2009, equal to the lesser of (i) 800,000 shares, (ii) 3% of the Company's outstanding common stock on the last day of the preceding fiscal year, or (iii) a lesser number of shares as determined by the board of directors.

Generally, the Company grants stock options with exercise prices equal to the fair market value of the common stock on the date of grant, as determined by the Company's Board of Directors. Options generally vest over a four-year period and expire ten years from the date of grant. The 1999 stock plan also contains a restricted stock purchase feature which provides the employee the opportunity to exercise their options immediately and vest over the original vesting period as set out in their stock option award. If the employee terminates before vesting, the Company may repurchase the unvested options at the original strike price.

6. STOCKHOLDERS' EQUITY (CONTINUED)

A summary of stock option activity follows:

		OUTSTANDING OPTIONS	
	SHARES AVAILABLE FOR GRANT	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
1999 Plan introduction	2,829,734	--	$ --
Restricted stock awards issued	(929,618)	--	.01
Additional authorizations	2,985,594	--	--
Options granted	(3,323,509)	3,323,509	.88
Options exercised	--	(2,234,309)	.44
Options canceled	105,800	(105,800)	.98
Outstanding at December 31, 1999	1,668,001	983,400	$1.86

The following table summarizes information regarding stock options outstanding as of December 31, 1999:

EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE
$.19	92,000	9.4 years
$.94	164,800	9.6 years
$1.88	568,800	9.8 years
$3.75	157,800	9.9 years
$.19 - $3.75	983,400	9.8 years

Of the total options outstanding at December 31, 1999, 256,800 shares are exercisable, and 2,234,309 shares previously exercised are subject to repurchase. At December 31, 1999, none of the above employee option awards had reached their first vesting tranche.

PRO FORMA DISCLOSURES OF THE EFFECT OF STOCK-BASED COMPENSATION

Pro forma information regarding results of operations and net loss per share is required by SFAS 123, which also requires that the information be determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using the minimum value method with the following weighted average assumptions: a risk-free interest rate of 6.0% for the year ended December 31, 1999, no dividend yield or volatility factors with respect to the expected market price of the Company's common stock, and a weighted average expected life of the options of 8 years.

Had compensation cost for the Company's stock-based compensation plans been determined using the fair value at the grant dates for awards under the plan calculated using the minimal value method of SFAS 123, the Company's net loss and pro forma basic and diluted net loss per share would have been increased to the pro forma amounts indicated below as of December 31, 1999:

Pro forma net loss (in thousands)	$(61,862)
Pro forma basic and diluted net loss per share	$ (42.47)

</TABLE>

6. STOCKHOLDERS' EQUITY (CONTINUED)

The per share weighted-average fair value of $4.06 for options granted through December 31, 1999 was recorded in connection with the accrual of the deferred stock-based compensation.

2000 EMPLOYEE STOCK PURCHASE PLAN

In December 1999, the Company established the 2000 employee stock purchase plan, which will become effective upon completion of the Company's initial offering of its common stock. A total number of 400,000 shares has been reserved for issuance under the employee stock purchase plan. The plan also contains an evergreen provision which allows for an annual increase in the authorized number of shares on the first day of each fiscal year from 2001 to 2010, equal to the lesser of (i) 240,000 shares, (ii) 1% of the Company's outstanding common stock on the last day of the preceding fiscal year, or (iii) a lesser number of shares as determined by the board of directors.

COMMON STOCK RESERVED FOR FUTURE ISSUANCE

The following shares of common stock were reserved at December 31, 1999:

<TABLE>
<S> <C>

Stock option plan	2,651,400
Stock purchase plan	400,000
Conversion of Series A preferred stock	5,781,862
Conversion of Series B preferred stock	10,518,678
	19,351,940

</TABLE>

DEFERRED STOCK-BASED COMPENSATION

During the period from February 17, 1999 to December 31,1999, the Company recorded a charge for deferred compensation expense of $17,500,000. This charge is being amortized using the straight-line method over the vesting period, which is generally four years.

STOCKHOLDER NOTE RECEIVABLE

In September 1999, the Board of Directors approved the issuance of 200,000 shares of common stock to a key officer in exchange for a note receivable in the amount of $187,500. The note receivable has been recorded as a reduction of stockholders' equity in the balance sheet at December 31, 1999. The note is full recourse, bears interest at 6.08% and is due with all accrued interest on November 22, 2003.

7. DEFINED CONTRIBUTION PLAN

In October 1999, the Company adopted a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code which covers substantially all employees. Eligible employees may contribute amounts to the plan, via payroll withholding, subject to certain limitations. Under the 401(k) plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit ($10,000 in 1999) and to have the amount of such reduction contributed to the 401(k) plan. The 401(k) plan permits, but does not require, additional matching contributions to the 401(k) plan by the Company on behalf of all participants in the plan. No contributions were made by the Company during the period from February 17, 1999 to December 31, 1999.

8. LEGAL PROCEEDINGS

On September 2, 1999 Biolink LLC dba ERI International filed suit against the Company in Los Angeles County Superior Court for breach of contract, breach of the implied covenant of good faith and fair dealing, and fraud arising out of a contract entered into for the shipment of live fish. ERI International has stated three causes of action, each seeking damages in an amount in excess of $2,000,000 and one cause of action seeking damages in an amount in excess of $500,000. The Company has answered and asserted affirmative defenses to their complaint. No trial date has been set up and discovery has not yet commenced. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the Company's financial position, operating results, or cash flows.

From time to time, the Company is subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks and other intellectual property rights. The Company currently is not aware of any such legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, prospects, financial condition and operating results.

9. RELATED-PARTY TRANSACTIONS

In conjunction with the sale of its Series A preferred stock, the Company entered into an agreement with a shareholder, which allows for certain reciprocal advertising, promotional and customer acquisition activities for an initial term of 18 months. Under the agreement, both the Company and the shareholder will reimburse each other in equal amounts for customers acquired as a result of the marketing agreement. Under this marketing agreement, the Company incurred customer acquisition expenses of $255,000, all of which are outstanding as of December 31, 1999. In addition, the contract allows for unspecified informal consulting and advisory services to be provided to the Company by the Shareholder.

In connection with the above mentioned sale of Series A preferred stock, the Company issued 275,863 Series A preferred shares with a total consideration of $400,001 to a founder in exchange for certain internet domain names.

For the period from February 17, 1999 (inception) to December 31, 1999, a preferred stockholder provided legal services to the Company totaling approximately $429,000 of which $115,000 is outstanding as of December 31, 1999.

10. SUBSEQUENT EVENTS

On January 7, 2000 the Company's board of directors amended its articles of incorporation to increase the total number of authorized preferred stock shares to 18,101,862, and to designate 1,200,000 shares of preferred stock as Series C.

On January 15, 2000, the Company entered into an agreement with GO.com, an affiliate of The Walt Disney Company, to perform joint marketing, content development and other promotional activities. An affiliate of The Walt Disney Company will also purchase 1,102,400 shares of Series C convertible preferred stock in exchange for media rights valued at approximately $11 million on ABC, Inc.

On January 19, 2000 the Company's board of directors authorized, concurrent with the Company's reincorporation in Delaware, a .8 for 1 reverse stock split. All share and per share amounts in the accompanying financial statements have been retroactively adjusted to reflect this split.

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[OUTSIDE OF FRONT GATEFOLD]

The outside page of the front gatefold contains a picture of the Pets.com sock puppet icon with four of our boxes and the following accompanying text: "Let us fetch for a change."

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[INSIDE OF FRONT GATEFOLD]

The first page of the inside of the front gatefold contains "Pets.com" at the

top of the page, with the sock puppet icon poking through the "O" in "Pets.com." The following text and pictures are located on the first page:

"Shopping and Selection" followed by a picture of the Pets.com Gift Center shopping page and a picture of a product category page on the Pets.com Web store showing dog food bowls available through our Web store. These pictures are described by the following text: "The Pets.com shopping pages."

The second page of the inside of the front gatefold contains a picture of a woman and child sitting on a chair looking at a laptop computer screen with a dog sitting next to them. The following text and pictures are located on the second page:

A picture of products such as cat litter, pet food and pet toys available through the Pets.com Web store. The accompanying text describing the picture says "Some of our Products."

Another picture of Pets.com's distribution center, with two lines of accompanying text describing the picture that says: "Fulfillment and Service" and "Our Union City distribution center."

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[INSIDE OF BACK COVER OF PROSPECTUS]

The inside of the back cover of the prospectus contains the word "Information" with a picture of the Pets.com magazine and accompanying text describing the picture which says "Pets.com, the magazine for pets and their humans."

Below this, the inside of the back cover of the prospectus contains the word "Community" with two pictures.

The first picture is of a message board on the Pets.com Web store and the second picture is of the Pets.commitment page on the Pets.com Web store.

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[BACK PAGE OF PROSPECTUS]

The outside page of the prospectus contains the Pets.com logo at the bottom of the page.

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Through and including 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

7,500,000 SHARES

[LOGO]
COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.
BEAR, STEARNS & CO. INC.
THOMAS WEISEL PARTNERS LLC
WARBURG DILLON READ

FEBRUARY , 2000

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Pets.com in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee and the Nasdaq National Market listing fee.

<TABLE>
<CAPTION>

	AMOUNT TO BE PAID
<S>	<C>
SEC registration fee	$ 26,400
NASD filing fee	$ 10,500
Nasdaq National Market listing fee	95,000
Printing and engraving expenses	150,000
Legal fees and expenses	343,100
Accounting fees and expenses	350,000
Blue Sky qualification fees and expenses	5,000
Transfer Agent and Registrar fees	15,000
Miscellaneous fees and expenses	5,000
Total	$1,000,000

</TABLE>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law (the "Delaware Law") authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act"). Article XII of our proposed Amended and Restated Certificate of Incorporation (Exhibit 3.2 hereto) and Article VI of our proposed Amended and Restated Bylaws (Exhibit 3.4 hereto) provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by Delaware Law. In addition, we have entered into Indemnification Agreements (Exhibit 10.1 hereto) with our officers and directors. The U.S. Purchase Agreement (Exhibit 1.1) also provides for cross-indemnification among Pets.com and the Underwriters with respect to certain matters, including matters arising under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since our formation on February 17, 1999, we have issued and sold (without payment of any selling commission to any person) the following unregistered securities:

1. On March 10, 1999, we issued two convertible promissory notes in the principal amounts of $142,500 and $7,500 to two accredited investors. The notes were canceled and converted into shares of Series A preferred stock on April 22, 1999.

2. On March 19, 1999, we issued two convertible promissory notes in the principal amounts of $237,500 and $12,500 to two accredited investors. The notes were canceled and converted into shares of Series A preferred stock on April 22, 1999.

3. On April 22, 1999, we issued 5,781,862 shares of our Series A preferred stock to eight accredited investors for an aggregate cash consideration of $10,479,625.60, which included conversion of the

convertible promissory notes described in items 1 and 2 above into a total of 221,702 shares of our Series A preferred stock (including conversion of accrued interest on the promissory notes).

4. On June 18, 1999, we issued 5,298,014 shares of our Series B preferred stock to nine accredited investors for an aggregate cash consideration of $50,000,003.35.

5. On November 5, 1999, we issued 2,848,774 shares of our Series B preferred stock for cash consideration of $26,885,300.85 to eight accredited investors; six convertible promissory notes in the aggregate principal amount of $4,409,592.60 to six accredited investors, which notes were cancelled and converted into 467,242 shares of our Series B preferred stock on December 8, 1999; and one convertible promissory note in the principal amount of $2,975,115.25 to one accredited investor, which note was cancelled and converted into 315,244 shares of our Series B preferred stock on December 8, 1999.

6. On December 8, 1999, we issued to a total of twenty-five accredited investors 2,371,890 shares of our Series B preferred stock for cash consideration of $15,000,007.80 and conversion of outstanding convertible promissory notes in the aggregate principal amount of $7,384,707.85.

7. On January 18, 2000, we issued 1,102,400 shares of our Series C preferred stock to one qualified institutional buyer as defined in Rule 144A of the rules and regulations promulgated under the Securities Act.

8. As of January 18, 2000, an aggregate of approximately 4,641,797 shares of common stock had been issued upon exercise of options or pursuant to restricted stock purchase agreement and an aggregate of approximately 973,000 shares of common stock were issuable upon exercise of outstanding options under the registrant's stock plans.

The issuances of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. In addition, certain issuances described in Item 8 above were deemed exempt from registration under the Securities Act in reliance upon Rule 701 under the Securities Act. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such transactions. All recipients had adequate access, through their relationships with us, to information about Pets.com.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

<TABLE>
<CAPTION>

NUMBER	DESCRIPTION
<C>	<S>
1.1*	Form of U.S. Purchase Agreement.
1.2*	Form of Intersyndicate Agreement.
3.1*	Fifth Amended and Restated Articles of Incorporation of Pets.com.
3.2*	Form of First Amended and Restated Certificate of Incorporation of Pets.com, to be filed and effective upon completion of this offering.
3.3*	Bylaws of Pets.com, as amended.
3.4*	Form of Bylaws of Pets.com, to be effective upon completion of this offering.
4.1*	Form of Pets.com common stock certificate.
5.1*	Opinion of Venture Law Group, a Professional Corporation.
10.1*	Form of Indemnification Agreement between Pets.com and each of its officers and directors.
10.2.1*	1999 Stock Plan, as amended.
10.2.2*	2000 Employee Stock Purchase Plan.
10.3*	Common Stock Purchase Agreement with Greg McLemore dated February 17, 1999.
10.4*	Restricted Stock Purchase Agreement dated March 10, 1999 with Julia Wainwright.
10.5*	Bill of Sale and Assignment with Greg McLemore and Koala Computer Products dated February 17, 1999.

</TABLE>

<TABLE>
<CAPTION>

NUMBER	DESCRIPTION
<C>	<S>
10.6*	Offer Letter dated March 4, 1999 with Julia L. Wainwright.
10.7*	Offer Letter dated March 19, 1999 with Kathryn C. Ringewald.
10.8*	Offer Letter dated March 24, 1999 with Christopher E. Deyo.
10.9*	Offer Letter dated March 26, 1999 with John M. Hollon.
10.10*	Offer Letter dated April 7, 1999 with Paul G. Melmon.
10.11*	Offer Letter dated April 21, 1999 with John R. Benjamin.
10.12*	Offer Letter dated April 22, 1999 with Diane R. Hourany.
10.13*	Offer Letter dated May 1, 1999 with Sue Ann Latterman.
10.14*	Offer Letter dated May 5, 1999 with John A. Hommeyer.
10.15*	Offer Letter dated August 20, 1999 with Paul G. Manca.
10.16*	Revised Offer Letter, as amended, dated November 15, 1999 with Ralph E. Lewis.
10.17*	Series A Preferred Stock Purchase Agreement dated April 22, 1999.
10.18+	Advertising Agreement with Amazon.com dated April 22, 1999.
10.19	Software License and Service Agreement with BroadVision, Inc. dated May 15, 1999.
10.20*	Series B Preferred Stock Purchase Agreement dated June 18, 1999
10.21	License and Integration Agreement with Quality Software Systems, Inc. dated June 25, 1999.
10.22*	PetPlace.com, Inc. Series A Preferred Stock Purchase Agreement dated November 12, 1999.
10.23*	Series B Preferred Stock and Convertible Note Purchase Agreement dated November 5, 1999.
10.24*	Amended and Restated Investors' Rights Agreement dated January 18, 2000.
10.25*+	Lease Agreement, as amended, with the Paulsen Family Partnership dated April 8, 1999 for offices at 435 Brannan Street, San Francisco, California.
10.26*+	Sublease Agreement, as amended, with National Distribution Agency, Inc. dated July 1, 1999 for a warehouse and distribution center at 33201 Dowe Avenue, Union City, California.
10.27*+	Lease Agreement with Bryant Springs L.L.C. dated September 20, 1999 for offices at 945 Bryant Street, San Francisco, California.
10.28	Lease Agreement with Rosenburg SOMA Investments IV, L.L.C. dated September 27, 1999 for a warehouse and distribution center at 150-160 King Street, San Francisco, California.
10.29*	Lease Agreement with Whipple Properties 1001, L.L.C. dated November 5, 1999 for a warehouse and distribution center at 1035 Whipple Road, Hayward, California.
10.30*+	Lease Agreement with Precedent Industrial Group L.L.C. dated December 7, 1999 for a warehouse and distribution center at Building Number 1, Precedent South Business Center, Greenwood, Indiana.
10.31*	Pledge and Security Agreement with Paul Manca dated November 23 1999.
10.32+	Exclusive Cross Marketing Agreement with PetPlace.com, Inc. dated September 17, 1999.
10.33	Sponsorship Agreement with American Veterinary Medical Foundation dated October 21, 1999.
10.34	Exclusive Sponsorship Agreement with American Veterinary Medical Foundation dated October 21, 1999.
10.35+	Content Partnership/Distribution Agreement with Buena Vista Internet Group and Infoseek Corporation dated January 15, 2000.
10.36*	Series C Preferred Stock Purchase Agreement dated January 18, 2000.
21.1*	List of Subsidiaries.
23.1	Consent of Independent Auditors
23.2	Consent of Counsel (included in Exhibit 5.1)
24.1*	Power of Attorney (see page II-5)
27.1*	Financial Data Schedule

</TABLE>

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* Previously filed by the registrant with the Commission.

+ Material has been omitted pursuant to a request for confidential treatment.

(b) FINANCIAL STATEMENT SCHEDULES

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of San Francisco, State of California on February 9, 2000.

PETS.COM, INC.

By: /s/ JULIA L. WAINWRIGHT

Julia L. Wainwright
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that Mark Britto hereby appoints, jointly and severally, Julia Wainwright and Paul Manca, and each of them, as his

attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments), and any and all Registration Statements, and amendments to the same, filed pursuant to Rule 462 under the Securities Act of 1933, as amended, in connection with or related to the offering contemplated by this Registration Statement and its amendments, if any, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming his signatures as it may be signed by his said attorney to any and all amendments to this Registration Statement.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:

SIGNATURE	TITLE	DATE
/s/ JULIA L. WAINWRIGHT Julia L. Wainwright	Chief Executive Officer and Director	February 9, 2000
/s/ PAUL G. MANCA Paul G. Manca	Chief Financial Officer (Principal Financial and Accounting Officer)	February 9, 2000
* John B. Balousek	Director	February 9, 2000
* Mark J. Britto	Director	February 9, 2000
* John R. Hummer	Director	February 9, 2000

*By: /s/ JULIA L. WAINWRIGHT
Julia L. Wainwright,
Attorney-in-Fact

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INDEX TO EXHIBITS

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3.4*	Form of Bylaws of Pets.com, to be effective upon completion of this offering.
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10.27*+		Lease Agreement with Bryant Springs L.L.C. dated September 20, 1999 for offices at 945 Bryant Street, San Francisco, California.
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10.29*		Lease Agreement with Whipple Properties 1001, L.L.C. dated November 5, 1999 for a warehouse and distribution center at 1035 Whipple Road, Hayward, California.
10.30*+		Lease Agreement with Precedent Industrial Group L.L.C. dated December 7, 1999 for a warehouse and distribution center at Building Number 1, Precedent South Business Center, Greenwood, Indiana.

</TABLE>

<TABLE>
<CAPTION>

NUMBER	DESCRIPTION
<C>	<S>
10.31*	Pledge and Security Agreement with Paul Manca dated November 23 1999.
10.32+	Exclusive Cross Marketing Agreement with PetPlace.com, Inc. dated September 17, 1999.
10.33	Sponsorship Agreement with American Veterinary Medical Foundation dated October 21, 1999.
10.34	Exclusive Sponsorship Agreement with American Veterinary Medical Foundation dated October 21, 1999.
10.35+	Content Partnership/Distribution Agreement with Buena Vista Internet Group and Infoseek Corporation dated January 15, 2000.
10.36*	Series C Preferred Stock Purchase Agreement dated January 18, 2000.

21.1*	List of Subsidiaries.
23.1	Consent of Independent Auditors
23.2	Consent of Counsel (included in Exhibit 5.1)
24.1*	Power of Attorney (see page II-5)
27.1*	Financial Data Schedule

</TABLE>

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* Previously filed by the registrant with the Commission.

+ Material has been omitted pursuant to a request for confidential treatment.

EXHIBIT 10.18

ADVERTISING AGREEMENT

This Agreement, dated as of April 22, 1999, is made and entered into by and between Amazon.com. Inc. ("Amazon.com"), and Pets.com. Inc. ("Company"), Amazon.com and Company sometimes are referred to collectively as the "Parties" and individually as a "Party." Amazon.com and Company agree as follows:

SECTION 1. DEFINITIONS

"ADVERTISING PLACEMENT" means any link, advertisement or other advertising placement provided for in Section 2 or Section 3.

"AFFILIATE" means, with respect to either Party, any individual or entity that directly or indirectly controls, is controlled by or is under common control with that Party, or which Party beneficially owns at least fifty percent (50%) of the equity interests therein.

"AMAZON.COM SITE" means the Web Site identified by the URL www.amazon.com (and any successors or replacements).

"COMPANY SITE" means the Web Site identified by the URL www.Pets.com (and any successors or replacements).

"CONFIDENTIAL INFORMATION" means non-public information and know-how of the Disclosing Party which, by the nature of the circumstances surrounding disclosure, ought in good faith to be treated as proprietary and/or confidential, or which has been or is designated as proprietary and/or confidential, including without limitation any information exchanged between the Parties under Sections 5.2 and 5.3 of this Agreement. Confidential Information does not include information that the Receiving Party can show: (a) was known by the Receiving Party prior to disclosure thereof by the Disclosing Party; (b) was in or entered the public domain through no fault of the Receiving Party; (c) is disclosed to the Receiving Party by a third party legally entitled to make such disclosure without violation of any obligation of confidentiality; or (d) is independently developed by the Receiving Party without reference to any Confidential Information of the Disclosing Party.

"DISCLOSING PARTY" means a Party that discloses Confidential Information to the other Party in connection with this Agreement.

"HOME PAGE" means, with respect to a Web Site, the Web page designated by the operator of the Web Site as the initial and primary end user interface for the Web Site.

"INTELLECTUAL PROPERTY RIGHT" means any patent, copyright, trademark, trade dress, trade name or trade secret right and any other intellectual

property or proprietary right.

"JUMP PAGE" means the Web page maintained on the Amazon.com Site, by or for Amazon.com. in accordance with Section 2.1.1.

"NEW COMPANY CUSTOMER" means any individual or entity that accesses the Company site via a hypertext link embedded in any Advertisement Placement on the Amazon.com Site and that either (a) purchases a product or service from Company or any or its Affiliates before leaving the Company Site by any means, or (b) places at least one product or service in a shopping basket or on a shopping list (or similar data construct) or otherwise identifies, selects or takes other affirmative steps to order a product or service in a manner that is recorded and maintained on the Company Site, then leaves the Company Site by any means, and subsequently returns to the Company Site and purchases any such identified product or service.

"NEW AMAZON.COM CUSTOMER" means any individual or entity that accesses the Amazon.com Site via a hypertext link embedded in any Advertising Placement on the Company Site and that either (a) purchases a product service from Amazon.com or any of its Affiliates before leaving the Amazon.com Site by any means, or (b) places at least one product or service in a shopping basket or on a shopping list (or similar data construct) or otherwise identifies, selects or takes other affirmative steps to order a product or service in a manner that is recorded and maintained on the Company Site, then leaves the Amazon.com Site by any means, and subsequently returns to the Amazon.com Site and purchases any such identified product or service.

"RECEIVING PARTY" means a Party that receives Confidential Information from the other Party in connection with this Agreement.

"TERM" means the term of this Agreement as defined in Section 9.

"WEB SITE" means any point of presence maintained on the Internet or on any other public data network. With respect to any Web Site maintained on the World Wide Web or any successor public data network, such Web Site includes all HTML pages (or similar unit of information presented in any relevant data protocol) that either (a) are identified by the same second-level domain (such as http://www.amazon.com) or by the same equivalent level identifier in any relevant address scheme, or (b) contain branding, graphics, navigation or other characteristics such that a user reasonably would conclude that the pages are part of an integrated information or service offering.

SECTION 2. OBLIGATIONS OF AMAZON

2.1 ONLINE PROMOTIONS

2.1.1 During the Term, Amazon.com will create and maintain a Web page within the Amazon.com Site that contains (a) advertising text and/or

graphics introducing Amazon.com users to the Company Site, and (b) a hypertext link that permits Amazon.com users to navigate directly to the Home Page of the Company Site. The content,

functionality, placement and appearance of the Jump Page and the Company-related text and/or graphics contained in the Jump Page will be solely determined by Amazon.com after consulting with Company, subject to the implementation process outlined in Section 4 and the requirements of Section 6.3.

2.1.2 During the Term, Amazon.com will place and maintain on the Amazon.com Site one or more hypertext links from selected areas of the Amazon.com Site to the Jump Page, in accordance with and subject to the terms and conditions of this Agreement. The quantity, location, timing, content, appearance, functionality and similar characteristics of such hypertext links will be determined by Amazon.com after consulting with Company, subject to the implementation process outlined in Section 4, and will be limited by, among other things, the impact on user experience, availability of space and other business considerations. Notwithstanding anything to the contrary contained in this Agreement, Amazon.com will have no obligation to place a Company-related hypertext link on the Home Page of the Amazon.com Site.

2.1.3 Subject to Amazon.com's specific approval, and by way of example only, Amazon.com may provide hypertext links to the Jump Page from (a) certain order confirmation Web pages within the Amazon.com Site, and (b) relevant Amazon.com Delivers e-mails.

2.1.4 If, during the Term, Amazon.com creates and maintains an area within the Amazon.com Site that aggregates advertising placements for the Web Sites of companies in which Amazon.com has equity investments. Amazon.com will include a hypertext link to the Jump Page in such area of the Amazon.com Site. The size and prominence of such link will be determined by Amazon.com in its discretion.

2.2 LAUNCH-RELATED PROMOTIONS

2.2.1 Promptly after the execution of this Agreement, Amazon.com and Company will (a) prepare and distribute a press release announcing the transaction, and (b) organize related media events and/or media interviews. If mutually agreed, the Parties may undertake additional public relations activities. The contents and timing of the release (or releases) and additional activities, if any, will be mutually agreed by the Parties. Neither Party will issue any further press releases, make any other disclosures regarding this Agreement or its terms or use the other Party's trademarks, trade names or other proprietary marks without the other Party's prior written consent.

2.2.2 For a period of sixty (60) days following the date of this Agreement, Amazon.com will be available to provide a reasonable amount of marketing advice to Company (as established by the Parties based on their

reasonable determination as to the required level of support and subject to Amazon.com's marketing capacity and other business constraints) to assist Company in the planning for the launch of the activities contemplated herein and the Company Site.

SECTION 3. OBLIGATIONS OF COMPANY

During the Term, Company will place and maintain on the Home Page of the Company Site such Amazon.com advertising message as Amazon.com may develop and provide to Company, in accordance with and subject to the implementation process outlined in Section 4 and the other terms and conditions of this Agreement. The advertising message will include a link to such Web page on the Amazon.com Site as is designated by Amazon.com. The placement and size of such advertising message will be determined by Company after consulting with Amazon.com, subject to the implementation process outlined in Section 4, and will be limited by, among other things, the impact on user experience, availability of space and other business considerations.

SECTION 4. IMPLEMENTATION

4.1 ACCOUNT MANAGERS. Each Party will assign an account manager (which manager shall be subject to change from time to time by the assigning Party upon written notice to the other Party) to facilitate coordination of the Parties' performance of their obligations hereunder (including, without limitation, in the creation and monitoring of the Advertising Placements).

4.2 COOPERATION. During the Term, the Parties will cooperate in good faith and use commercially reasonable efforts to (a) establish and implement procedures and processes for proposing, creating, approving and implementing the Advertising Placements under this Agreement, and (b) develop, test and implement the Advertising Placements in accordance with such procedures and processes and the terms and conditions of this Agreement.

4.3 APPROVAL. All Advertising Placements placed on a Party's Web Site will be subject to such Party's written approval prior to the time the same go live on the Web Site. No such approval will be unreasonably withheld or delayed.

SECTION 5. COMPENSATION

5.1 GENERAL. Except as expressly provided for elsewhere in this Agreement, each Party will be responsible for all costs and expenses incurred by such Party in performing its obligations under this Agreement, and the Advertising Placements, license rights and other activities under this Agreement will be provided and undertaken by the Parties free of charge.

5.2 REFERRAL FEES. Beginning with the seventh month of the Term and for each three month period of the Term thereafter ("Quarter"), Company will, within fifteen (15) days after the end of such Quarter, pay to Amazon.com a referral

fee of [*] dollars ([*]) for each New Company Customer acquired by the Company during the Quarter. Each such payment will be accompanied by a written statement setting forth the number of New Company Customers and the Company's calculation of the referral fees for such Quarter. Any payment owing by Company to Amazon.com under this Section 5.2 will be reduced by an amount equal to [*] dollars ([*]) for each New Amazon.com Customer that Amazon.com acquires during the Quarter covered by such payment. Any amounts not paid when due will be subject to a finance charge equal to one and one-half percent (1.5%) per month or the

[*] CERTAIN CONFIDENTIAL INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SEC.

highest rate allowable by law, whichever is less, determined and compounded daily from the date due until the date paid. Payment of such finance charges will not excuse or cure any breach or default for late payment. In no event will the Company be required to make more than one payment to Amazon.com, nor Amazon.com be required to reduce a payment made by the Company, during the Term with respect to any individual or entity that constitutes a New Company Customer or a New Amazon.com Customer, respectively.

5.3 RECORDS AND AUDIT. Company will maintain complete and accurate records of all New Company Customers. Amazon.com will maintain complete and accurate records of all New Amazon.com Customers. Each Party may, at its expense, examine or audit such records no more than once every twelve months in order to verify the referral fees payable under this Agreement. Any such audit will be conducted, to the extent possible, in a manner that does not unreasonably interfere with the audited Party's business operations. To the extent a Party uses an independent auditor to conduct such audit, the independent auditor shall agree in writing to maintain the confidentiality of information obtained during such audit. If any audit reveals an underpayment of more than ten percent (10%) of the amounts due to Amazon.com for any month, Company will reimburse Amazon.com for the costs of such audit.

SECTION 6. PROPRIETARY RIGHTS

6.1 OWNERSHIP. Subject to the license granted to Company under Section 6.2, Amazon.com hereby reserves all of its right, title and interest in its Intellectual Property Rights including, without limitation, all right, title and interest in and to all trademarks, trade dress, logos, insignia and copyrightable materials supplied by Amazon.com to Company hereunder. Subject to the foregoing and the license granted to Amazon.com under Section 6.3. Company reserves all of its right, title and interest in its Intellectual Property Rights, including, without limitation, all right, title and interest in and to all trademarks, trade dress, logos, insignia and copyrightable materials supplied by the Company to Amazon.com.

6.2 AMAZON.COM LICENSE. Amazon.com hereby grants to Company, during the

Term, a non-exclusive, non-transferable license to use the trade names, trademarks, service names and other proprietary marks supplied by Amazon.com as is reasonably necessary to perform its obligations under this Agreement; provided, however, that any advertising and/or other materials containing any of Amazon.com's marks will be subject to Amazon.com's prior written approval. All goodwill arising out of any use of any of Amazon.com's marks by, through or under Company will inure solely to the benefit of Amazon.com.

6.3 COMPANY LICENSE. Company hereby grants to Amazon.com during the Term, a non-exclusive, non-transferable license to use the trade names, trademarks, service names and other proprietary marks and/or copyrightable materials supplied by Company as is reasonably necessary to perform its obligations under this Agreement; provided, however, that any advertising and/or other materials containing any of Company's marks will be subject to Company's prior written approval. All goodwill arising out of any use of any of Company's marks by, through or under Amazon.com will inure solely to the benefit of Company.

6.4 NON-DISPARAGEMENT. Neither Company nor Amazon.com will use the other Party's proprietary marks in a manner that disparages the other Party or its products or services, and/or portrays the other Party or its products or services in a false, competitively adverse or poor light. Each of Company and Amazon.com will comply with the other Party's requests as to the use of the other Party's proprietary marks and will avoid knowingly taking any action that diminishes the value of such marks. Either Party's use of the other Party's proprietary marks except as expressly permitted by this Agreement is strictly prohibited.

6.5 NONEXCLUSIVELY. Each Party expressly acknowledges and agrees that the rights granted to the other Party in this Agreement are non-exclusive, and that, without limiting the generality of the foregoing, nothing in this Agreement shall be deemed to prohibit either Party from soliciting third party content, links, banner ads or other material, serving content, links, banner ads or other materials to third parties' Web Sites, or hosting or permitting third parties to place links, content, banner ads or other material on such Party's Web Site, whether or not, in each such case, such content, links, banner ads or other materials are competitive with the products, services, content or banner ads of the other Party.

SECTION 7. INDEMNITY

7.1 AMAZON.COM. Amazon.com will defend and indemnify Company and its Affiliates against any claim or action brought by a third party, to the extent it is based on (a) the operation of the Amazon.com Site or (b) infringement of such third-party's Intellectual Property Rights by any materials provided by Amazon.com for display on the Company Site. Subject to Section 7.3, Amazon.com will pay any award against Company and its Affiliates, or their respective employees, directors or representatives and any costs and attorneys' fees

reasonably incurred by them resulting from any such claim or action.

7.2 COMPANY. Company will defend and indemnify Amazon.com and its Affiliates (and their respective employees, directors and representatives) against any claim or action brought by a third party, to the extent it is based on (a) the operation of the Company Site or (b) infringement of such third-party's Intellectual Property Rights by any materials provided by Company for display on any the Amazon.com Site. Subject to Section 7.3, Company will pay any award against Amazon.com or its Affiliates (or their respective employees, directors or representatives) and any costs and attorneys' fees reasonably incurred by Amazon.com and its Affiliates resulting from any such claim or action.

7.3 PROCEDURE. In connection with any claim or action described in this Section 7, the Party seeking indemnification will (a) give the indemnifying Party prompt written notice of the claim, (b) cooperate with the indemnifying Party (at the indemnifying Party's expense) in connection with the defense and settlement of the claim, and (c) permit the indemnifying Party to control the defense and settlement of the claim, provided that the indemnifying Party may not settle the claim without the indemnified Party's prior written consent (which will not be unreasonably withheld). Further, the indemnified Party (at its cost) may participate in the defense and settlement of the claim.

SECTION 8. DISCLAIMERS, LIMITATIONS AND RESERVATIONS

8.1 COMPANY. COMPANY DOES NOT MAKE, AND HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES REGARDING THE COMPANY SITE OR ANY PORTION THEREOF, INCLUDING (WITHOUT LIMITATION) IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, COMPANY SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING (A) THE AMOUNT OF SALES REVENUE THAT AMAZON.COM MAY RECEIVE DURING THE TERM, AND (B) ANY ECONOMIC OR OTHER BENEFIT THAT AMAZON.COM MIGHT OBTAIN THROUGH ITS PARTICIPATION IN THIS AGREEMENT.

8.2 AMAZON.COM. AMAZON.COM DOES NOT MAKE, AND HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES REGARDING THE AMAZON.COM SITE OR ANY PORTION THEREOF, INCLUDING (WITHOUT LIMITATION) IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AMAZON.COM SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING (A) THE AMOUNT OF SALES REVENUES THAT MAY OCCUR DURING THE TERM, AND (B) ANY ECONOMIC OR OTHER BENEFIT THAT COMPANY MIGHT OBTAIN THROUGH ITS PARTICIPATION IN THIS AGREEMENT.

8.3 NO CONSEQUENTIAL DAMAGES. NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS OR LOST DATA) ARISING OUT OF THIS AGREEMENT. EACH PARTY'S ENTIRE LIABILITY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT (EXCEPT FOR LIABILITIES ARISING UNDER SECTION 6, RESULTING FROM THE

PARTY'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, OR CONCERNING LIABILITY FOR DEATH OR PERSONAL INJURY), WHETHER IN CONTRACT OR TORT (INCLUDING NEGLIGENCE), WILL NOT EXCEED THE AMOUNTS TO BE PAID TO AMAZON.COM UNDER SECTION 5, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY REMEDY.

8.4 RESPONSIBILITY FOR WEB SITES. Amazon.com will remain solely responsible for the operation of the Amazon.com Site, and Company will remain solely responsible for the operation of the Company Site. Each Party (a) acknowledges that the Amazon.com Site and the Company Site may be subject to temporary shutdowns due to causes beyond the operating Party's reasonable control, and (b) subject to the specific terms of this Agreement, retains sole right and control over the programming, content and conduct of transactions over its respective site or service.

SECTION 9. TERM AND TERMINATION

9.1 TERM. The Term of this Agreement will begin as of the date of this Agreement and, unless earlier terminated as provided elsewhere in this Agreement, will end automatically upon the eighteen (18) month anniversary of the date of this Agreement; provided that, not less than thirty (30) days prior to the end of the Term, the Parties will negotiate in good faith in an attempt to agree on the terms and conditions of an extension of the Term (including, without limitation, the compensation payable to Amazon.com for Advertising Placements provided during such extension period). If, after using reasonable efforts, the Parties are unable to agree upon such terms and conditions, neither Party will have any obligation to continue its participation in the negotiations.

9.2 TERMINATION FOR BREACH. Without limiting any other rights or remedies (including, without limitation, any right to seek damages and other monetary relief) that either Party may have in law or otherwise, either Party may terminate this Agreement if the other Party materially breaches its obligations hereunder, provided that (a) the non-breaching Party sends written notice to the breaching Party describing the breach, and (b) the breaching Party does not cure the breach within thirty (30) days following its receipt of such notice.

9.3 OTHER TERMINATION RIGHTS. Either Party may terminate this Agreement if the other Party (a) has a receiver or administrative receiver appointed for it or over its undertakings or assets, (b) passes a resolution for winding up or a court of competent jurisdiction makes an order to that effect and such order is not discharged within ninety (90) days, (c) enters into any voluntary arrangement with its creditors for the benefit of its creditors, (d) becomes subject to an administration order, or (e) ceases to carry on business.

9.4 EFFECT OF TERMINATION. On termination of this Agreement: (a) each Party in receipt, possession or control of the other Party's intellectual or

proprietary property, information and materials pursuant to this Agreement must return to the other Party (or at the other Party's written request, destroy) such property, information and materials, (b) each Party must, subject to receiving written consent to the contrary from the other Party, immediately remove all links to the other Party's Web Site from its own Web Site, and (c) each Party must cease use of, and remove from its Web Site, all of the trademarks, trade dress, logos, insignia and copyrightable materials supplied by the other Party hereunder. Sections 5, 6, 7, 8, 9 and 10 (together with all other provisions that reasonably may be interpreted as surviving termination or expiration of this Agreement) will survive the termination or expiration of this Agreement.

SECTION 10. MISCELLANEOUS

10.1 INDEPENDENT CONTRACTORS. The Parties are entering this Agreement as independent contractors, and this Agreement will not be construed to create a partnership, joint venture or employment relationship between them. Neither Party will represent itself to be an employee or agent of the other or enter into any agreement or legally binding commitment or statement on the other's behalf of or in the other's name.

10.2 NONDISCLOSURE. Each Party will protect the Confidential Information of the other Party from misappropriation and unauthorized use or disclosure, and at a minimum, will take precautions at least as great as those taken to protect its own confidential information of a

similar nature. Without limiting the foregoing, the Receiving Party will: (a) use such Confidential Information solely for the purposes for which it has been disclosed; and (b) disclose such Confidential Information only to those of its employees, agents, consultants, and others who have a need to know the same for the purpose of performing this Agreement and who are informed of and agree to a duty of nondisclosure. The Receiving Party may also disclose Confidential Information of the Disclosing Party to the extent necessary to comply with applicable law or legal process, provided that the Receiving Party uses reasonable efforts to give the Disclosing Party prompt advance notice thereof. Upon request of the other Party, or in any event upon any termination or expiration of the Term, each Party shall return to the other all-materials, in any medium, which contain, embody, reflect or reference all or any part of any Confidential Information of the other Party.

10.3 COMPLIANCE WITH LAWS. In its performance of this Agreement, each Party will comply with all applicable laws, regulations, orders and other requirements, now or hereafter in effect, of governmental authorities having jurisdiction. Without limiting the generality of the foregoing, each Party will pay, collect, remit and otherwise be responsible such taxes as may be imposed upon such Party in the first instance with respect to any compensation, royalties or transactions under this Agreement. Except as expressly provided herein, each Party will be responsible for all costs and expenses incurred by it

in connection with the negotiation, execution and performance of this Agreement.

10.4 NOTICES. Any notice or other communication under this Agreement given by either Party to the other Party will be in writing and will be deemed properly given when sent to the intended recipient by registered letter, receipted commercial courier, or electronically receipted facsimile transmission (acknowledged in like manner by the intended recipient) at its address specified below its signature at the end of this Agreement, and in the case of Amazon.com. with a copy to Amazon.com. Inc., 1516 Second Avenue, Seattle, WA 98101, USA, Facsimile: 206-834-7010, Attn: General Counsel; provided, that no notice of termination of this Agreement shall be deemed properly given unless sent by registered mail to such address(es) and to the attention of such officer(s). Either Party may from time to time change such address or individual by giving the other Party notice of such change in accordance with this Section 10.4.

10.5 ASSIGNMENT. Neither Amazon.com nor Company may assign this Agreement, in whole or in part, without the other Party's prior written consent (which will not be withheld unreasonably), except to (a) any corporation resulting from any merger, consolidation, or other reorganization involving the assigning Party, (b) any of its Affiliates, or (c) any person or entity to which the assigning Party may transfer substantially all of its assets; provided that the assignee agrees in writing to be bound by all the terms and conditions of this Agreement. Subject to the foregoing, this Agreement will be binding on and enforceable by the Parties and their respective successors and permitted assigns.

10.6 NONWAIVER. The failure of either Party to enforce any provision of this Agreement will not constitute a waiver of the Party's rights to subsequently enforce the

provision. The remedies specified in this Agreement are in addition to any other remedies that may be available in law.

10.7 ENTIRE AGREEMENT. This Agreement (a) represents the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous or contemporaneous oral or written agreements regarding such subject matter, (b) may be amended or modified only by a written instrument signed by a duly authorized agent of each Party, and (c) will be interpreted, construed and enforced in all respects in accordance with the laws of the laws of the State of Washington, without reference to its choice of law rules. If any provision of this Agreement is held to be invalid, such invalidity will not effect the remaining provisions. No breach of this Agreement by either Party shall affect the rights or obligations of either Party under any other Agreement between the Parties; rather, the same will remain in full force and effect.

amended or modified only by a written instrument signed by a duly authorized

agent of each Party, and (c) will be interpreted, construed and enforced in all respects in accordance with the laws of the laws of the State of Washington, without reference to its choice of law rules. If any provision of this Agreement is held to be invalid, such invalidity will not effect the remaining provisions. No breach of this Agreement by either Party shall affect the rights or obligations of either Party under any other Agreement between the Parties; rather, the same will remain in full force and effect.

Amazon:	Company:
AMAZON.COM, INC.	PETS.COM, INC.
By: /s/ Ram Shriram	By: /s/ Julie Wainwright
Title: V.P. Business Development	Title: CEO
Date: April 20, 1999	Date: 4/22/99
Notice Address:	Notice Address:
Amazon.com Incorporated 1516 Second Ave., Floor 2 Seattle, WA 98101 Facsimile: 206.834.7010	Pets.com, Inc. 87 N. Raymond Avenue, Suite 850 Pasadena, CA 91103 Facsimile: 626.794.8500

EXHIBIT 10.19

SOFTWARE LICENSE AND SERVICES AGREEMENT

This Software License and Services Agreement ("Agreement") is made and entered into as of this 21st day of May, 1999, between BroadVision, Inc. ("BroadVision") and

Company Pets.com
("Customer")

Address 5903 Christie Ave.

Emeryville, CA 94608

In consideration of the mutual covenants and conditions contained in this Agreement, the parties agree as stated herein. The following attachments, required when applicable, are also part of this Agreement:

A. Current Licensing Practices

B. Required Provisions of Sublicenses

C. Professional Services Terms & Conditions

1. LICENSE.

A. BroadVision hereby grants to Customer a perpetual (unless terminated as set forth herein), nonexclusive, and nontransferable license, subject to the terms and conditions of this Agreement, to use the object code for the Software. For the purpose of this Agreement, "Software" shall mean all versions, including current, previous, and subsequent versions, of all software products, together with operating instructions, user manuals, training material, and other documentation as may, in BroadVision's sole discretion, be supplied to Customer.

B. Customer may use the Software in accordance with BroadVision's published licensing practices in force at the time of delivery of the applicable Software products. BroadVision's current licensing practices are as set forth in Attachment A.

C. Customer may not (a) rent, lease, or loan the Software; (b) electronically transmit the Software over a network except as necessary for Customer's licensed use of the Software; (c) use run-time versions of third-party products embedded in the Software, if any, for any use other than the

intended use of the Software, (d) modify, disassemble, decompile, or reverse engineer the Software; (e) transfer possession of any copy of the Software to another party, except as expressly permitted herein; or (f) use the Software in any way not expressly provided for in this Agreement. There are no implied licenses. Customer agrees not to exceed the scope of the licenses granted herein.

D. BroadVision also grants to Customer the right to grant nontransferable sublicenses to portions of the Software, where such grants are explicitly permitted by BroadVision's licensing practices. Customer shall require each such sublicensee, before it may use or install the sublicensed Software, to execute a written license agreement containing, at a minimum, the required provisions specified in Attachment B. Customer shall indemnify BroadVision for all losses, costs, damages, expenses, and liabilities caused by Customer's failure to include required terms in its sublicense agreements with its sublicensees.

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2. PAYMENT, PRICES.

A. Invoices shall be issued upon delivery of the products or services, unless specified herein to the contrary, and shall be due and payable in United States currency upon receipt by Customer. Payment shall be overdue thirty (30) days after the delivery date specified on the invoice. Overdue payments shall be subject to a finance charge of one and one-half percent (1 1/2%) for each month or fraction thereof that the invoice is overdue, or the highest interest rate permitted by applicable law, whichever is lower. BroadVision shall also be reimbursed for its collection costs in the event of late payments, including reasonable attorney's fees.

B. Software will be shipped FOB BroadVision's facility in Redwood City, California, U.S.A., by commercial surface transportation. Transportation charges in excess of such rates will be billed to Customer. Software shall be deemed accepted upon delivery.

C. The prices stated in BroadVision quotations are exclusive of any federal, state, municipal, value-added, foreign withholding or other governmental taxes, duties, fees, excises, or tariffs now or hereafter imposed on the production, storage, licensing, sale, transportation, import, export, or use of the Software or any improvements, alterations, or amendments to the Software. Customer shall be responsible for, and if necessary reimburse, BroadVision for all such taxes, duties, fees, excises, or tariffs, except for governmental or local taxes imposed on BroadVision's corporate net income.

3. SOFTWARE MAINTENANCE.

A. BroadVision agrees to provide Customer with software maintenance subject to the following provisions and conditions:

i. At Customer's request, BroadVision shall provide software maintenance at prices to be quoted to Customer. Software maintenance shall include (i) telephone and electronic mail support provided during BroadVision's normal working hours, and (ii) standard releases containing improvements or modifications to the Software, where such improvements or modifications are not priced as separate new products or options ("Standard Release").

ii. BroadVision shall provide software maintenance for any Standard Release until 180 days after shipment of the subsequent Standard Release.

iii. Customer shall designate one or, with BroadVision's prior written approval, more than one Support Contact Person, who shall be responsible for communicating support issues to BroadVision. Customer agrees to provide BroadVision with timely written notification containing all details of software problems necessary for BroadVision to diagnose such problems. Customer agrees to cooperate fully in providing BroadVision with Customer's source code, in machine-readable form, and other materials necessary to reproduce a reported software problem. Subject to Customer's security requirements, Customer agrees to provide BroadVision reasonable direct or remote access and test time on Customer's BroadVision system, for the purpose of diagnosing reported software problems. If BroadVision provides on-site services at Customer's request in connection with software maintenance, Customer shall reimburse BroadVision for all

travel and other reasonable out-of-pocket expenses incurred with respect to such services.

iv. Software maintenance may also include any patch releases ("Patch Releases") that BroadVision, in its sole discretion, makes available. Patch Releases are intended to address material deviations between the Software and its published specifications until a Standard Release can be made available. Customer may install Patch Releases at its option.

v. BroadVision shall not be responsible for maintaining Software that fails to comply with its published specifications if such non-compliance is the result of modification of the Software by

Customer or third parties. If BroadVision expends its time on a noncompliance found to be the result of any of the preceding, Customer shall pay BroadVision for such time at BroadVision's then-current hourly consulting rate.

B. Unless terminated by either party with at least ninety days notice, software maintenance will automatically be renewed for successive one-year periods at BroadVision's then-current prices for software maintenance. In the event of termination for Customer's breach or Customer's convenience, all maintenance fees shall be immediately due and payable without notice; in the event of termination for any other reason, Customer shall be entitled to a refund of maintenance fees already paid, prorated for the unused portion of such fees.

C. Annual software maintenance fees are due and payable in advance; in all other respects payments are subject to the terms and conditions of the Agreement.

D. If Customer initially declines software maintenance and then subsequently elects to commence maintenance, or if maintenance for an item of Software is discontinued at Customer's request and then subsequently renewed, Customer shall pay the maintenance fees that would have been due for the period during which maintenance was not provided.

4. TITLE TO SOFTWARE.

A. Customer shall include BroadVision's copyright or proprietary rights notice on any copies of the Software or associated documentation, including copyright or proprietary rights notices of third parties that are included on media or in documentation provided by BroadVision. Customer acknowledges that the Software is the property of BroadVision or its licensors.

B. Unless otherwise requested by BroadVision, Customer shall ensure that the phrase, "Personalized by BroadVision One-To-One" shall appear prominently on the logon screen, splash screen, or other first view of the Customer's application seen by consumers or other end-users when they enter such application. The above phrase shall be a hypertext link to a URL specified by BroadVision. Customer's use of the phrase shall be in accordance with BroadVision's guidelines for use of the mark.

5. WARRANTY.

BroadVision warrants that the Software will conform in all material respects to its written specifications when installed and for 90 days thereafter. For purposes of this Agreement, the sole source of such specifications shall be BroadVision's written user documentation. Customer will notify BroadVision within 10 days after the expiration of the warranty period

of any nonconformity. Where a material nonconformity exists within the warranty period, and proper notice has been given to BroadVision, BroadVision will, as its sole and exclusive liability to Customer, use due diligence to correct the nonconformity and provide Customer with one copy of any such corrected version of the Software, or, if BroadVision is unable to correct such nonconformances within a reasonable period of time, refund all license fees paid to it for the Software, or the most recent software maintenance fee paid for the Software, if the nonconformity relates to a Standard Release delivered pursuant to Section 3 herein. THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES AND CONDITIONS, EXPRESSED OR IMPLIED, AND BROADVISION EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, OR NONINFRINGEMENT.

6. LIMITATION OF LIABILITY.

BroadVision's liability to Customer under this Agreement or for any other reason relating to the products and services provided under this Agreement, including claims for contribution or indemnity, shall be limited to the amount paid to BroadVision under this Agreement. NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY UNDER THIS AGREEMENT, THE PARTIES AGREE THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS OR LOSS OF USE, PROVIDED THAT FOR PURPOSES OF THIS SECTION 6 LOST REVENUES RELATED TO UNAUTHORIZED USE OR DISCLOSURE OF THE SOFTWARE SHALL BE DEEMED A DIRECT DAMAGE.

7. INTELLECTUAL PROPERTY RIGHTS INDEMNITY.

BroadVision will defend and hold harmless Customer against any claim that the Software constitutes infringement of a patent, copyright, trademark, or trade secret. BroadVision shall also indemnify Customer for any reasonable expense incurred by Customer in connection with the foregoing. BroadVision's obligations under this section are conditioned upon BroadVision having sole control of any such action, and upon Customer notifying BroadVision immediately in writing of the claim and giving authority, information, and assistance necessary to settle or defend such claim. If the use of the Software infringes or is enjoined, or BroadVision believes it is likely to infringe or be enjoined, BroadVision may, at its sole option, (i) procure for Customer the right to continue use of the licensed Software as furnished; (ii) replace the licensed Software; (iii) modify the licensed Software to make it non-infringing, provided that the Software still substantially conforms to the applicable specifications; or (iv) if BroadVision, after using all commercially reasonable efforts, is unable to accomplish the foregoing remedies, terminate the license and refund the license fee for the Software, less a proportional adjustment for the time the Software was used by Customer, equal to the ratio of the time elapsed since the delivery date to five (5) years. The indemnity provided herein shall not apply if the alleged infringement arises from: (a) the use of other than a currently

supported, unaltered release of the licensed Software; (b) the use of Software that has been modified or merged with other programs by Customer; or (c) the use of the licensed Software in combination with software or hardware not provided under this Agreement. The foregoing states BroadVision's sole and exclusive liability for patent, copyright, or other proprietary rights infringement.

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8. CONFIDENTIALITY OF SOFTWARE AND DOCUMENTS.

A. Customer shall not reproduce, duplicate, copy, sell, or otherwise disclose, or disseminate the Software, including operating instructions, user manuals, and training materials, in any medium except as authorized herein. Customer may make copies of the Software, in machine readable form, only as is reasonably necessary for archival and backup purposes.

B. Customer expressly undertakes, using reasonable efforts not less than it exercises for its own confidential materials, to retain in confidence, and to require its employees or consultants to retain the Software in confidence, and will make no use of such information, except under the terms and during the existence of this Agreement, and only to the extent that such use is necessary to Customer's employees or consultants in the course of their employment.

C. The provisions of this section shall survive the termination of this Agreement for a period of five (5) years.

D. Customer shall not release the results of any benchmark of the Software, or of any third party products embedded in the Software, without BroadVision's prior written approval.

9. AUDIT RIGHTS.

At BroadVision's request, but in no event more than twice annually, Customer shall provide BroadVision with a report detailing its use of the Software. No more than once annually, BroadVision may audit Customer's records to ensure that license and other fees have been properly paid in compliance with this Agreement. Any such audit will be conducted during regular business hours at Customer's offices and shall not interfere unreasonably with Customer's business activities. If an audit reveals that Customer has underpaid its total fees by more than five percent (5%), then Customer shall pay BroadVision's reasonable costs of conducting the audit, in addition to the underpaid amount.

10. TERM/TERMINATION.

This Agreement is effective on the earlier of (i) the date of shipment of the Software or (ii) the date set forth above, and continues until terminated as provided herein, or by agreement of both parties. BroadVision may terminate this Agreement upon: (a) any material breach of this Agreement by Customer that is not cured within 30 days following written notice thereof; or (b) failure by Customer to pay license fees for Software under the payment terms specified in this Agreement or as stated on BroadVision's invoice for such Software, which failure remains uncured after thirty (30) days written notice thereof. Upon termination of this Agreement for any of the above reasons, all licenses granted hereunder terminate and Customer will immediately destroy the Software and all copies in any form. Upon termination for any other reason, Customer may continue to use the Software, provided that Sections 1, 2 (to the extent that any amounts are owed to BroadVision as of the termination date), 4, 6, 7, 8, 9, and 11 shall survive the termination of this Agreement, and BroadVision may terminate Customer's use of the Software upon a material breach of any of the surviving sections.

11. GENERAL.

A. Waiver/Amendment. No waiver, amendment, or modification of any provision of this Agreement shall be effective unless in writing and signed by the party against whom

such waiver, amendment, or modification is sought to be enforced. No failure or delay by either party in exercising any right, power or remedy under this Agreement, except as specifically provided herein, shall be deemed as a waiver of any such right, power, or remedy.

B. ASSIGNMENT. Either party may assign this Agreement to an entity acquiring substantially all of its assets or merging with it, provided that such assignee agree in writing to assume all obligations under this Agreement. Except as set forth above, neither party may assign any of its rights or delegate any of its obligations under this Agreement to any third party without the express written consent of the other. Any attempted assignment in violation of the foregoing shall be void and of no effect. Subject to the above, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

C. Disputes. The rights of the parties hereunder shall be governed by the laws of the State of California without giving effect to principles of conflicts of laws. Any suits brought hereunder may be brought in the federal or state courts in Santa Clara County, California, and Customer submits to the jurisdiction thereof. The parties expressly exclude the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods, if applicable.

Customer acknowledges that the Software contains trade secrets, the disclosure of which would cause substantial harm to BroadVision that could not be remedied by the payment of damages alone. Accordingly, BroadVision will be entitled to preliminary and permanent injunctive relief and other equitable relief for any breach of BroadVision's intellectual property rights in the Software.

D. SEVERABILITY. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, the remaining provisions of this Agreement shall remain in full force and effect.

E. EXPORT. Customer acknowledges that the laws and regulations of the United States restrict the export of the Software. Customer agrees that it will not export or re-export the Software in any form without first obtaining the appropriate United States and foreign government approvals.

F. NOTICE. Any notice, consent, or other communication hereunder shall be in writing, and shall be given personally, by confirmed fax or express delivery to either party at their respective addresses:

(i) to BroadVision at:
BroadVision, Inc.
585 Broadway
Redwood City, CA 94063, USA
Attn: Chief Financial Officer

(ii) to Customer at:

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Pets.com
435 Brannan St.
San Francisco, CA
Attn: Julie Wainwright

or such other address as may be designated by written notice of either party. Notices shall be deemed given when delivered or transmitted, or seven days after deposit in the mail.

G. INDEPENDENT CONTRACTORS. The parties' relationship shall be solely that of independent contractor and nothing contained in this Agreement shall be construed to make either party an agent, partner, joint venturer, or representative of the other for any purpose.

H. FORCE MAJEURE. If the performance of this Agreement, or any obligation hereunder, except the making of payments, is prevented, restricted, or

interfered with by reason of any act or condition beyond the reasonable control of the affected party, the party so affected will be excused from performance to the extent of such prevention, restriction, or interference.

I. ENTIRE AGREEMENT. This Agreement, including all Attachments hereto, constitutes the complete and exclusive agreement between the parties with respect to the subject matter hereof and supersedes all proposals, oral, or written, all previous negotiations, and all other communications between the parties with respect to the subject matter hereof. The terms of this Agreement shall prevail notwithstanding any different, conflicting, or additional terms that may appear in any purchase order or other Customer document. All products and services delivered by BroadVision to Customer are subject to the terms of this Agreement, unless specifically addressed in a separate agreement.

Agreed to by: BROADVISION, INC.

/s/ Randall Bolten

Signature

Randall Bolten

Printed Name

CFO

Title

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CUSTOMER: Pets.com

Company Name

/s/ Paul Melmon

Signature

Paul Melmon

Printed Name

Vice President, Engineering

Title

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ATTACHMENT A

CURRENT LICENSING PRACTICES

Not Yet Applicable.

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ATTACHMENT B

REQUIRED PROVISIONS OF SUBLICENSES

Not Yet Applicable.

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ATTACHMENT C

PROFESSIONAL SERVICES TERMS & CONDITIONS

Not Yet Applicable.

EXHIBIT 10.21

QUALITY SOFTWARE SYSTEMS, INC.
LICENSE AND INTEGRATION AGREEMENT

This AGREEMENT is made and entered into as of the 25th day of June 1999 by and between Quality Software Systems Inc., a New Jersey corporation with offices at 200 Centennial Avenue, Piscataway, New Jersey 08854 ("QSSI") and the Client identified below ("Client").

<TABLE>
<S> <C>
Client: Pets.com Inc. City: San Francisco
Address: 435 Brannan St., Suite 100 State, Zip: CA 94107
</TABLE>

TERMS AND CONDITIONS

1. DEFINITIONS

1.1 ACCEPTANCE "Acceptance" of a deliverable means completion of the process set forth in Paragraph 7.1 for Developed Software and Paragraph 7.2 for other deliverables.

1.2 ACCEPTANCE TEST "Acceptance Test" means the procedure set forth in Paragraph 7.1 hereto.

1.3 BASE SYSTEM Unmodified version of the current release of PowerHouse/WMS as identified by the documentation provided with each release.

1.4 CLIENT "Client" means the entity identified on the cover page to this Agreement, including any permitted successor or assignee of Client.

1.5 CONFIGURATION The use of tables and other user executable program options, by the Client or QSSI, in order to customize the Developed Software.

1.6 QSSI SERVICES "QSSI Services" means all of the professional services rendered to Client by QSSI pursuant to this Agreement.

1.7 DEVELOPED SOFTWARE "Developed Software" shall mean all software written by (i) QSSI hereunder, or (ii) by Client under the direction and direct supervision of QSSI and as to which QSSI has certified in writing that it meets QSSI's programming standards. Developed Software shall also include QSSI proprietary software which has previously been developed by QSSI and which is delivered to Client.

1.8 IMPLEMENTATION SCHEDULE "Implementation Schedule" means the schedule set forth on Schedule A, or any subsequently prepared schedules superseding Schedule A.

1.9 MAINTENANCE "Maintenance" consists of the ongoing Developed Software support services set forth in Schedule C. The Maintenance set forth in Schedule C will be provided pursuant to a separate executed Maintenance and/or Software Support agreement between the Parties.

1.10 MODIFICATIONS All software revisions made to the Base System written by (i) QSSI hereunder, or (ii) by Client under the direction and direct supervision of QSSI and as to which QSSI has certified in writing that it meets QSSI's programming standards.

1.11 PARTY The term "Party" shall mean Pets.com or QSSI, and the term "Parties" shall mean Pets.com and QSSI.

1.12 PHASE "Phase" means each summarized section of Schedule A. Any additional modifications requested after the initial design will each be treated as a separate Phase.

1.13 REQUIREMENTS DEFINITION STUDY "Requirements Definition Study" or "RDS" means the mutually agreed system design changes to the Base System, as such the RDS may be revised pursuant to Paragraph 6.1. Upon Acceptance of the RDS by Client, the RDS will supersede all other requirements and functionality documentation for all purposes hereunder.

1.14 SHELF VERSION "Shelf Version" means the version of each Phase of the Developed Software which is Accepted by Client pursuant to Paragraph 7.1.

1.15 SOFTWARE SYSTEM "Software System" means the set of computer programs and documentation developed by QSSI, the Client, and/or third parties in connection with the entire warehouse management implementation project. This system can include the Developed Software, Third Party Software, interfaces, and integration.

1.16 THIRD PARTY SOFTWARE "Third Party Software" is all software which is incorporated in, makes up or is to be accessed by the Software System which is not Developed Software and is identified on Schedule B.

2. SOFTWARE SYSTEM

2.1 Subject to the terms and conditions of this Agreement, QSSI agrees to implement the Software System in accordance with the Implementation Schedule and RDS, with the reasonable assistance of Client personnel and resources.

3. CONSULTING SERVICES

3.1 QSSI shall supply Client with any supporting documentation which QSSI has developed for the software system.

4. LICENSE AND PROPRIETARY RIGHTS

4.1 Grant of License Subject to the terms and conditions of the Agreement, QSSI hereby grants to Client a perpetual, irrevocable, non-exclusive and non-transferable (except as set forth in Paragraph 12.5) license (the "License") to use and modify the Developed Software and other QSSI developed deliverables which License Client hereby accepts. Any additional restrictions or limitations are set forth in Schedule D.

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4.1b EXCLUSIVITY For a period of three (3) years from the effective date of this Agreement, (i) QSSI shall not grant to any Competitor of Client any right to use any modification or integration software developed by QSSI for Client hereunder, or any portion thereof, without prior written consent of Client, (ii) QSSI shall not access or refer to any modification or integration software developed by QSSI for Client hereunder, or any portion thereof, when working with any competitor of Client and (iii) QSSI shall not provide to any Competitor of Client a more favorable price or delivery for similar modifications of the Base System than QSSI provides to Client hereunder. As used, herein, "Competitor of Client" means any web site or other Online service or entity that markets, sells, or allows end users to purchase pet care products, including without limitation food, health care products, toys, cages, and leashes for dogs, cats, fish, birds, ferrets, reptiles and other animals.

4.2 PROPRIETARY RIGHTS All financial data and all information related to Client's organizational structure ("Client Data") are and shall remain the exclusive property of client, and shall be kept confidential by QSSI pursuant to the provisions of Paragraphs 4.3 and 4.4. QSSI retains title to the Developed Software and related documentation and other deliverables developed hereunder, including all copies thereof and all rights to patents, copyrights, trademarks, trade secrets and other intellectual property rights inherent therein and appurtenant thereto. Except as set forth herein, Client shall not, by virtue of this Agreement or otherwise, acquire any proprietary rights whatsoever in the Developed Software or any other deliverables developed hereunder, which shall be the sole and exclusive property of QSSI. No identifying marks, copyright or proprietary right notices may be deleted from any copy of the Developed Software provided to or made by Client.

4.3 CONFIDENTIALITY Client shall only permit access to the Developed Software by its employees who have a need to know in connection with the license rights granted under this Agreement. Client shall not transfer, publish, disclose, display or otherwise make available any portion of the Developed Software to others. The Parties acknowledge that in the course of performing their responsibilities under this Agreement, they each may be exposed to or acquire information that is clearly identified as proprietary to or confidential to the other Party. The Parties agree to hold such information in strict confidence and not to copy, reproduce, sell, assign, license, market, transfer, give or otherwise disclose such information to third parties or to use such information for any purposes whatsoever, without the express written permission of the other Party, other than for the performance of obligations, or exercise of rights hereunder, and to advise each of their employees, agents and representatives of their obligations to keep such information confidential. All such confidential and proprietary information, Client data, finances, business

plans and computer software are hereinafter collectively referred to as "Confidential Information." The Parties shall use their reasonable efforts to assist each other in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limitations of the foregoing, the Parties shall advise each other immediately in the event that either learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Agreement, and will reasonably cooperate in seeking injunctive relief against any such person. Each party shall be entitled to disclose the existence of this Agreement but agrees that the terms and conditions of this Agreement shall be treated as confidential information and shall not be disclosed to any third

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party; provided, however, that each party may disclose the terms and conditions of this Agreement; (i) as required by any court or other government body; (ii) as otherwise required by law; (iii) to legal counsel of the parties; (iv) to accountants, banks and financing sources and their advisors that are subject to confidentiality provisions at least as protective of the disclosing party's confidential information as those set forth herein; or (v) in connection with the enforcement of this Agreement or rights under the Agreement.

4.4 Non-Confidential Information Notwithstanding the obligations set forth in Paragraph 4.3, the confidentiality obligations of the Parties shall not extend to information that:

a. is, as of the time of its disclosure, or thereafter becomes part of the public domain through a source other than the receiving Party;

b. was known to the receiving Party as of the time of its disclosure;

c. is independently developed by the receiving Party;

d. is subsequently learned from a third party not under a confidentiality obligation to the providing party; or,

e. is required to be disclosed pursuant to court order or government authority, whereupon the receiving Party shall provide notice to the other Party prior to such disclosure.

5.5 FEES AND PAYMENT

5.1 FEES The fees for QSSI Services are set forth in Schedule E. In the event the project is successfully launched according to the requirements set forth in the RDS on or before August 5, 1999, Client shall pay QSSI a bonus equal to the greater of $22,000 or 28% of the cost of the implementation services provided, however, that the bonus shall not exceed $28,000. In the event the project is not successfully launched according to the requirements set forth in the RDS until after August 5, 1999, QSSI shall not receive such bonus and the amount due to QSSI shall be reduced by an amount equal to 1/7 of the bonus that would have been paid if the project were launched on time, for each day the project launch is late up to a maximum of 7 days provided, however, that the penalty does not exceed $28,000. QSSI shall not incur loss of bonus or any reduced payment if delays are caused by Client, any third party vendor contracted by Client or act of God that befalls on Client. QSSI shall not receive the bonus but also shall not incur any reduced payments if the project launch is delayed by an act of God that befalls on QSSI.

5.2 PAYMENT Client shall pay QSSI in accordance with the Fee and Payment Schedule set forth in Schedule E. All invoices issued by QSSI hereunder are due upon receipt of invoice. Payments not received within thirty (30) days or their due date shall be subject to late charges of one and one-half percent (1-1/2%) per month, and having remained outstanding for sixty (60) days, shall give rise to a material breach of this Agreement justifying the suspension of the performance of services and/or immediate termination of this Agreement by QSSI. Client also agrees to pay all reasonable expenses incurred by QSSI in enforcing he provisions of this Agreement. No failure by QSSI to request any such payment or to demand any such performance shall be deemed a waiver by QSSI of Client's obligations hereunder or a waiver of QSSI's right to terminate this Agreement.

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5.3 PROPOSALS FOR SERVICE Proposals for services to be rendered under this

Agreement may be in writing. No estimates are guaranteed in any way or to any extent by QSSI and do not change this Agreement to a fixed price contract. This section is not intended to include proposals for hardware or license fees.

6. REVISIONS

6.1 DURING PREPARATION OF REQUIREMENTS DEFINITION STUDY ("RDS") During the preparation of the RDS, QSSI and Client shall review in greater detail Client's requirements for the Software System. Where client requests system functions or performance which vary from that set forth in the Base System, QSSI shall provide a written estimate of the impact on resources, time duration and costs which would be caused by implementation of any Modifications. QSSI and Client will review all such estimates during the preparation and presentation of the RDS. It is understood that such Modifications may increase or decrease required resources, time duration and costs. If Client fails to approve the RDS, QSSI or Client may terminate this Agreement upon thirty (30) days prior written notice and Client shall pay QSSI services to the date of termination at QSSI's standard time and materials rates, and the parties shall have no further performance obligations hereunder.

6.2 AFTER APPROVAL OF RDS After approval of the RDS and before Acceptance, any system functions or performance which vary in scope from those set forth in the RDS and which are requested by Client shall be reviewed by QSSI. Within twenty (5) days of receipt of such request, QSSI, with the cooperation of Client where reasonably required, shall provide a written estimate of the impact on resources, time duration and costs, which would be caused by the implementation of the revision. If the Client accepts the revision, then the resources, time duration and costs shall be modified as set forth in QSSI's estimate. If the client fails to Accept the revision, the scope of work as set forth in the RDS shall remain unchanged and QSSI shall have no further responsibility with respect to the proposed change.

7. ACCEPTANCE AND ACCEPTANCE TESTING

7.1 ACCEPTANCE OF DEVELOPED SOFTWARE Acceptance of each Phase of the Developed Software identified in Schedule A may occur upon the completion of the Acceptance Test performed by the Client. The Acceptance Test shall be to determine whether the Developed Software operates in accordance with the specifications as described in the RDS, and shall be conducted as follows: (a) upon receipt of notice from QSSI that the applicable Phase of the Developed Software has been developed and installed and is available for Acceptance Testing, Client shall conduct the Acceptance Test within four (4) calendar weeks; (b) upon the expiration of such test period, Client shall either certify that the Phase is accepted or deliver to QSSI a written description of specific claimed defects in the Developed Software which defects shall be limited to material failures to conform to the RDS; (c) upon receipt of such written description. QSSI shall use all reasonable efforts to promptly remedy those defects that are bona fide, whereupon the Acceptance Test shall be run as is necessary for determining whether all such identified defects have been remedied. The Parties shall repeat this cycle until all material defects are corrected. Certification by Client that the Phase of the Developed Software is

accepted, or in the absence of such certification, the failure of Client to provide QSSI with a written description of defects during the review period shall constitute completion of the Acceptance Test and Acceptance of the Phase of the Developed Software. Acceptance, whether or not notice has been given shall also be deemed to have occurred if Client places in productive use, any portion of the Phase of Developed Software for a period of 14 days. In the event first productive use of the Developed Software occurs when it is not yet integrated with the Client's web site system, an additional 14 days of productive use will be extended for purposes of testing that portion of the system pertaining to the integration interfaces with the Client's web site system. Acceptance shall be deemed to have occurred within 60 days after the Developed Software is first placed in productive use regardless if, through no fault of QSSI, integration with the web site software has not been accomplished. The formal date of acceptance for purposes of the warranty as set forth in section 8, shall be retroactive to when the Developed Software was either certified as accepted by the Client or first placed in productive use. The version of the Phase so Accepted shall be deemed the Shelf version of the accepted Phase. Client and QSSI shall each maintain copies of the Shelf Version in addition to any modified versions that may occur over time and the Shelf Version shall not be accessed, altered, modified or otherwise used. In the event that a Phase is not Accepted Pursuant to his Paragraph, Client's sole remedy shall be to return the Phase to QSSI, along with the applicable documentation and all copies thereof, and receive a refund of fees paid to QSSI, for that Phase. This procedure is the exclusive means by which Client shall be entitled to reject the Developed Software or any Phase thereof, and the exclusive remedy

for any such failure.

7.2 ACCEPTANCE OF OTHER DELIVERABLES For other work product deliverables requiring Acceptance by Client, Client shall, within twenty (20) days of receipt of QSSI's statement that the deliverable is complete, review the deliverable and Accept it or notify QSSI in writing of non-Acceptance, documenting in reasonable detail any and all material defects in the deliverable. QSSI shall, upon receipt of such notice, use all reasonable efforts to promptly correct any such material failures and shall notify Client of its completion of the correction. Client shall, after receipt of said notice, review the corrected deliverable and report to QSSI. Client shall do so promptly using diligent efforts, but in no event shall such process exceed ten (10) days. This cycle shall be repeated only as is reasonably necessary. A deliverable shall be deemed Accepted by Client if either: (a) Client notifies QSSI in writing of its Acceptance, in which event the Acceptance date shall then be the date of such notice; (b) Client fails to notify QSSI in writing within the applicable time period of any material defect in the deliverable, in which event the Acceptance date shall be the last day of said period; (c) client places in productive use under the terms defined in Paragraph 7.1, any portion of the deliverable.

8. WARRANTIES AND DISCLAIMER

8.1 QSSI WARRANTIES QSSI represents and warrants, subject to Paragraph 8.2, that the Base System shall conform in all material respects to the documentation, provided, and only to the extent, that Client notifies QSSI in writing within one year after the date of productive use of any portion of the Base System ("Base System Warranty Period") of any such material non-conformity. QSSI further represents and warrants, subject to Paragraph 8.2, that the modifications of each Phase of the Developed Software shall conform in all material respects to

the documentation, provided, and only to the extent, that Client notifies QSSI in writing within one hundred and eighty (180) days after the date of Acceptance of the Phase of the Developed Software ("Modification Warranty Period") of any such material non-conformity. In the event that the Shelf Version of the Phase of the Developed Software is found to be defective in such respects, and that notice with respect to such defect has been given as provided above, QSSI's sole obligation under this warranty is to respond promptly and to use all reasonable efforts to promptly remedy such defect within a reasonable time. The Parties acknowledge that changes to the production version of the Developed Software are likely to be initiated by Client. Accordingly QSSI has no obligation under warranty or otherwise to support the changes made by Client to the Developed Software. QSSI's obligation under this warranty is solely with respect to the Shelf Version.

8.2 QSSI WARRANTY PROCEDURE If changes have been made to the Shelf Version resulting in variation between the shelf version and the production version, upon receipt of Client's notice under Paragraph 8.1, client shall duplicate the problem on the Shelf Version of the applicable Phase of the Developed Software stored at Client's site for such purpose. If the problem cannot be duplicated, QSSI's warranty shall not apply and QSSI shall have no obligation to remedy the cited defect. If the problem duplicated on the Shelf Version, QSSI shall use all reasonable efforts to promptly repair or correct the Shelf version in accordance with the terms of this agreement. This warranty does not apply to corrections or remedies for difficulties or defects arising from system changes, improper configuration or use of the Developed Software, the hardware or software environment, Third Party Software, or other causes external to the Developed Software. If Client requests QSSI assistance with any non-warranty problem, QSSI will provide assistance, subject to QSSI personnel availability, at its then standard time and material charges.

8.3 THIRD PARTY SOFTWARE The Parties understand that the Software System may include certain Third Party Software products which may or may not be listed in Schedule B hereto. It is acknowledged by Client that Client shall be solely responsible for obtaining licenses to such Third Party Software, if such software is not already in Client's possession, including the right to incorporate such software into the Software System. QSSI MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, AS TO THE QUALITY, CAPABILITIES, OPERATIONS, PERFORMANCE OR SUITABILITY OF THIRD PARTY SOFTWARE, INCLUDING THE ABILITY TO INTEGRATE WITH MODIFICATIONS TO THE SOFTWARE SYSTEM OR OF NEW RELEASES TO INTEGRATE WITH THE DEVELOPED SOFTWARE. The quality, capabilities, operations, performance and suitability of such Third Party Software lies solely with Client and the vendor or supplier of such Third Party Software.

8.4 DISCLAIMER OF WARRANTY THE WARRANTY SET FORTH IN PARAGRAPHS 8.1 AND 8.2 IS A LIMITED WARRANTY AND IS IN LIEU OF ALL OTHER WARRANTIES EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A

PARTICULAR PURPOSE. QSSI DOES NOT WARRANT THAT THE SOFTWARE SYSTEM WILL MEET CLIENT'S FUTURE OR UNDISCLOSED REQUIREMENTS.

9. LIMITATION OF LIABILITY

9.1 NEITHER PARTY SHALL HAVE ANY LIABILITY WITH RESPECT TO ITS OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ANY EVENT, THE LIABILITY OF QSSI TO CLIENT FOR ANY REASON AND UPON ANY CAUSE OF ACTION OR CLAIM SHALL BE LIMITED TO THE AMOUNT PAID TO QSSI BY CLIENT HEREUNDER WITH RESPECT TO THE PHASE WHICH IS THE SUBJECT OF THE ACTION OR CLAIM. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION OR CLAIMS IN THE AGGREGATE, INCLUDING WITHOUT LIMITATION TO BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATIONS, CLAIMS FOR FAILURE TO EXERCISE DUE CARE IN THE PERFORMANCE OF QSSI SERVICES HEREUNDER AND OTHER TORTS. BOTH PARTIES UNDERSTAND AND AGREE THAT THE REMEDIES, EXCLUSIONS AND LIMITATIONS HEREIN ALLOCATE THE RISKS OF PRODUCT AND SERVICE NONCONFORMITY BETWEEN THE PARTIES AS AUTHORIZED BY THE UNIFORM COMMERCIAL CODE AND/OR OTHER APPLICABLE LAWS. THE FEES HEREIN REFLECT, AND ARE SET IN RELIANCE UPON, THIS ALLOCATION OF RISK AND THE EXCLUSION OF CONSEQUENTIAL DAMAGES AND LIMITATIONS OF LIABILITY SET FORTH IN THIS AGREEMENT.

9.2 PATENT AND COPYRIGHT INDEMNIFICATION If an action is brought against Client claiming that the Developed Software infringes a patent, copyright or misappropriated trade secret, QSSI will defend Client and pay any damages awarded against Client, but only if (a) Client notifies QSSI promptly upon learning of the claim, (b) QSSI has sole control over the defense of the claim and any negotiation for its settlement or compromise, (c) Client takes no action, that in QSSI's judgment, is contrary to QSSI's interest and (d) provides QSSI with full cooperation at QSSI's expense to investigate and defend against the claim. If a claim may be or has been asserted, Client will permit QSSI, at QSSI's option and expense, to procure the right to continue using the Developed Software, or replace or modify the Developed Software to eliminate the infringement while providing functionally equivalent performance. Notwithstanding the above, QSSI will have no duty to indemnify Client if the patent or copyright infringement results from (a) a correction or modification of the Developed Software not provided by QSSI, (b) the failure to promptly install any update which QSSI may have provided to Client, or (c) the combination of the Developed Software with other software or hardware not provided by QSSI.

10. OTHER RIGHTS AND OBLIGATIONS

10.1 STATUS REPORTS Client and QSSI shall periodically communicate to the other's Project Leader the current status of the Party's activities, progress of the work being performed, and resources expended since the last report (and cumulative totals to date), identification and impact of actual and anticipated problem areas, and action being taken or alternative actions to be contemplated and taken to address such problems. Also, if requested by the other Party, Client

and QSSI shall attend a status meeting, no more frequently than once per month, to review the status of Client and QSSI activities.

10.2 COOPERATION The Parties acknowledge and agree that successful installation of the Software System in Client's processing environment shall require their full and mutual good faith cooperation.

10.3 EMPLOYEE SOLICITATION Both Parties agree not to engage in any attempt to hire, or to engage as independent contractors, the other's employees or independent contractors for the two years after termination of this contract, except as may be otherwise agreed to in writing by both Parties.

10.4 CHARGES Client shall pay QSSI or reimburse QSSI for any out-of-pocket expenses incurred by QSSI in the fulfillment of its obligations under this Agreement, which include but are not limited to phone calls, one-way billable travel time, round trip airfare, lodging, meals, local transportation and communications, round trip travel expense to QSSI's principal place of business every two (2) weeks and incidentals incurred in connection with work performed at Client's place of business. QSSI estimates such expenses for this project will be less than $15,000 If the expenses are expected to exceed that amount,

QSSI will provide advance notice to Client.

10.5 TAXES Client shall pay for, or reimburse QSSI for all sales, use, transfer or other taxes and all duties, whether international, national, state, or local however designated, which are levied or imposed by reason of the transaction contemplated hereby; excluding, however, income taxes on QSSI's net income of profits.

10.6 INDEPENDENT CONTRACTOR QSSI and its personnel, in performance of this Agreement, are acting as independent contractors and not employees or agents of Client. QSSI shall be solely responsible for the payment of compensation of QSSI personnel assigned to perform services hereunder and such personnel are not entitled to the provisions of any Client employee benefits. QSSI and not Client, shall be responsible for payment of worker's compensation, disability benefits and unemployment insurance or for withholding and paying employment taxes for all QSSI personnel.

11. TERM This Agreement is effective from the date first set forth above and shall continue in effect until terminated by either party. Completion of any specific services or Customer's failure to order additional services hereunder shall not terminate this Agreement. This agreement can be terminated by either party upon one month's prior written notice to the other party. Any work order between the parties still in effect upon termination shall survive until completed according to its terms.

12. MISCELLANEOUS

12.1 DISPUTE RESOLUTION In the event of any dispute with regard to the interpretation of this Agreement or the respective rights and obligations of the Parties, other than those for which injunctive relief is appropriate, and as a condition precedent to any legal action being

commenced by either Party, Gerry Goldschein of QSSI and Lloyd Wallsten of Client, shall in good faith attempt to resolve the Parties' differences, the dispute shall be elevated to Ed Troianelo of QSSI and Diane Hourany of Client who shall meet in person and, in good faith, attempt to resolve the dispute. If the dispute is then not resolved within five (5) business days either party may pursue any remedies then available to it.

12.2 ENTIRE AGREEMENT This Agreement sets forth the entire and exclusive understanding and agreement of the Parties with respect to its subject matter and supersedes and merges any prior understanding or agreements, oral or written. This Agreement may not be modified except by a writing subscribed by both Client and QSSI.

12.3 FORCE MAJEURE Neither client or QSSI shall be liable to the other for any delay or failure to perform any of the services or obligations set forth in this Agreement due to any act of God, fire, flood, casualty, earthquake or other causes beyond its reasonable control provided that such party shall have used its best efforts to mitigate its effects.

12.4 NEW JERSEY LAW This Agreement and performance hereunder shall be governed by the laws of the State of New Jersey without regards to its conflict of laws provisions. QSSI and Client hereby agree on behalf of themselves and any person claiming by or through them that the sole jurisdiction and venue for any litigation rising from or relating to this Agreement shall be an appropriate federal or state court located in New Jersey. No action, regardless of form, arising out of this Agreement shall be brought by Client more than one year after such cause of action shall have accrued.

12.5 ASSIGNMENT Unless in connection with the sale of all or substantially all of its assets or a merger, neither party may assign this Agreement or any right, interest or benefit under this Agreement without the prior written consent of the other party. Subject to the foregoing, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

12.6 NOTICE Any communication provided or permitted under this Agreement, unless otherwise specifically provided otherwise herein, shall be in writing and shall be deemed given (i) if by hand deliver, upon receipt thereof; (ii) if mailed, four (4) business days after deposit in the U.S. mails, postage paid, certified mail, return receipt requested and received. All notices shall be addressed to Client and QSSI at their respective addresses set forth on the cover of this Agreement.

12.7 SURVIVAL The following Paragraphs or Sections of this Agreement shall survive its cancellation, termination or expiration: 4.2, 4.3, 4.4, 8.3, 8.4, 9,

10.3, 10.5, 10.6, and 11.

12.8 CLIENT IDENTIFICATION Upon the written consent of Client, which shall not be unreasonably withheld, QSSI may use the name of and identify Client as a Client, in press releases and similar materials distributed to prospective Clients. Client may from time to time as requested by QSSI but within Client's sole discretion, allow QSSI to perform site visits to Client's site provided however that Client is given adequate notice and would not provide proprietary information to a competitor.

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12.9 NO WAIVER The waiver or failure of either Client or QSSI to exercise any right in any instance shall be deemed a waiver neither of any other right hereunder not of its right to withhold other waivers of the same rights.

12.10 ENFORCEABILITY If any provision of this Agreement is determined to be invalid under any applicable statute or rule of law, it is to that extent to be deemed omitted, and the balance of the Agreement shall remain enforceable.

CLIENT AND QSSI HAVE READ AND AGREES TO ALL OF THE ATTACHED AND INCORPORATED TERMS AND CONDITIONS. THIS AGREEMENT SHALL BE EFFECTIVE WHEN EXECUTED BY QSSI.

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IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized representatives as of the date first written above.

Client: Pets.com	QUALITY SOFTWARE SYSTEMS, INC.
By: /s/ Diane Hourany	By: /s/ H E Dybuahl
(Signature)	(Signature)
Name: Diane Hourany	Name: H. E. Dybuahl
Title: VP OPS	Title: Director, Sales & Marketing
Date: July 16, 1999	Date: July 16, 1999

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SCHEDULE A
IMPLEMENTATION SCHEDULE

Pets.com
Power House Project Plan

<TABLE>
<CAPTION>

Task Name	Work	Duration	Depend	Start	Finish
<S>	<C>	<C>	<C>	<C>	
Project Schedule	39.4d	32d		6/23/99	8/4/99
Project Management	5d	6d	4,5	6/30/99	7/8/99
Requirements Definition Study	20d	13d		6/23/99	7/12/99
Requirements Gathering	6d	2d		6/23/99	6/24/99
Solution Fit Matrix	3d	3d	4	6/25/99	6/29/99
RDS Review	4d	8d	5	6/30/99	7/12/99
Solution Design	7d	7d	4FS+1d	6/28/99	7/7/99
Application Services	39.4d	20d		6/25/99	7/23/99
Order Server Hardware	0d	0d		6/28/99	6/28/99
Order RF Hardware	0d	0d		7/1/99	7/1/99
Receive Server Hardware	0d	0d	9FS+2.4 wks	7/12/99	7/12/99

Receive RF Hardware	0d	0d	10FS+2.4 wks	7/19/99 7/19/99
System Setup	6d	4d	11,12FF+2d	7/16/99 7/21/99
Install System at Site	2d	2d	13	7/22/99 7/23/99
System Adaptation	31.4d	19.63d		6/25/99 7/23/99
Warehouse Design Completed	0d	0d		7/8/99 7/8/99
Table Configuration	10d	10d	7,16	7/8/99 7/21/99
Interfaces	10.63d	14.63d		6/30/99 7/21/99
11-order download	2d	4d	4	6/30/99 7/6/99
13-subscriptions download	1d	2d	19	7/7/99 7/8/99
14-order kill download	1d	2d	20	7/9/99 7/12/99
15-expected receipt download	2d	2d	21	7/13/99 7/14/99
16-expected receipt dld-items	.5d	.5d	22	7/15/99 7/15/99
17-inventory transaction upld	2d	2d	23	7/15/99 7/19/99
18-shipment upload	2d	2d	24	7/19/99 7/21/99
19-shipment upload-order type	.13d	.13d	25	7/21/99 7/21/99
Label, Screen & Report Custom	3d	3d		6/25/99 6/29/99
Enhancements	3.77d	3.77d		7/6/99 7/9/99
R3-no stock mod on RF recvg	.38d	.38d	4	7/6/99 7/6/99
R6-custom returns report .38d	.38d		29	7/6/99 7/6/99
O6-total lines as limit criteria wv	.13d	.13d	30	7/6/99 7/6/99
O8-picking allocation report	.25d	.25	31	7/6/99 7/7/99
O10-packing slip mods	1d	1d	32	7/7/99 7/8/99
O17-carton verify screen mods	.38d	.38d	33	7/8/99 7/8/99
O20-repack screen mods	.25d	.25d	34	7/8/99 7/8/99
O22-recalc info on repack screen	.5d	.5d	35	7/8/99 7/9/99
O24-new divert screen	.5d	.5d	36	7/9/99 7/9/99
String Testing	4d	2d	18,28	7/21/99 7/23/99
Implementation	25d	15d		7/19/99 8/4/99
User Acceptance Testing Suppt	5d	5d	18,28	7/26/99 7/30/99
User Training	10d	10d	40FF	7/19/99 7/30/99
Production Cutover	10d	5d		7/31/99 8/4/99

</TABLE>

SCHEDULE B
THIRD PARTY SOFTWARE

1. Sybase System 11.9

2. Windows NT Workstation 4.0

3. Windows NT Server 4.0

4. PowerBuilder 7.0

5. pcANYWERE

6. DBArtisan

7. Seagate Backup Exec for NT

8. CodeSoft THT 3.50

SCHEDULE C
MAINTENANCE AND SOFTWARE SUPPORT

For a period of six months following acceptance of the Developed Software, client shall be entitled to any newly released software upgrades at no additional license fee charge. All services associated with upgrades are billable on a time and material basis. Maintenance can be purchased after the expiration of this six month period at an annual charge of 13% of the license fee shown on Schedule E plus 13% of any subsequent upgrade license fee charged for the purpose of increasing the current license fee restrictions thresholds.

Software Support is covered under a separate yearly agreement.

SCHEDULE D
LICENSE RESTRICTIONS

1. Scope of License (check one)

[ ] CPU specify _____
[X] Users specify 20 13 RF and 7 CRT Users
[ ] Site specify _____
[ ] Company-wide specify _____
[ ] Other specify _____

2. Right to Copy (check one)

[ ] One backup copy only
[X] Unrestricted right to copy
[ ] Other specify _____

3. Client is entitled to object code only.

Client shall cause to be reproduced on all copies of licensed materials hereunder, all notices of QSSI proprietary rights as are contained in the original materials.

SCHEDULE E
FEE AND PAYMENT SCHEDULE

<TABLE>
<S> <C>
License Fee
PowerHouse/WMS 20 users* $60,000
Database License** $ 3,046
TOTAL $63,046
</TABLE>

* Payable at contract signing.

** Estimate based on current MS SOL Server pricing which is subject to change.

Services
Billing rates are as follows:

<TABLE>
<CAPTION>

	Hourly Rate	Daily Rate
<S>	<C>	<C>
Partner	$220.00	$1,760
Manager	$192.50	$1,540
Leader	$165.00	$1,320
Lead Analysts	$152.25	$1,218
Analysts	$123.75	$ 990
Programmer	$87.50	$ 700

</TABLE>

Estimates of the total services required will be further refined following completion of the RDS. Services will be billed twice per month and are payable within 15 days of invoice or postmark date whichever is later. Rates are for normal business days. Weekend rates are billed at time and one half. Holidays are billed at double time. Rates are subject to change on the first of each year, or from time to time upon 30 days notice to the client.

Expenses

All reasonable expenses as set forth under Paragraph 10.4 will be billed as incurred and payable within 5 days of the invoice or postmark date whichever is later.

EXHIBIT 10.28

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE-GROSS

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. BASIC PROVISIONS ("BASIC PROVISIONS").

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, September 27, 1999, is made by and between Rosenberg SOMA Investments IV, LLC, a Delaware Limited Liability Co. ("LESSOR") and Pets.com, Inc., a California Corporation ("LESSEE"), (collectively the "PARTIES," or individually a "PARTY").

1.2(a) PREMISES: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 150-160 King Street, a portion of the ground floor, located in the City of San Francisco, County of San Francisco, State of California, with zip code 94107, as outlined on Exhibit A attached hereto ("PREMISES"). The "BUILDING" is that certain building containing the Premises and generally described as (describe briefly the nature of the Building): 150-160 King Street / 151-165 Townsend Street. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the Building or to any other buildings in the Industrial Center. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "INDUSTRIAL CENTER." (Also see Paragraph 2.)

1.2(b) PARKING: 0 unreserved vehicle parking spaces ("UNRESERVED PARKING SPACES"); and 0 reserved vehicle parking spaces ("RESERVED PARKING SPACES"). (Also see Paragraph 2.6.)

1.3 TERM: 0 years and 3 months ("ORIGINAL TERM") commencing 0ctober 1, 1999 ("COMMENCEMENT DATE") and ending December 31, 1999 ("EXPIRATION DATE"). (Also see Paragraph 3.) Month-to-month thereafter with 30 (thirty) days prior written notice by either Landlord or Tenant.

1.4 EARLY POSSESSION: N/A ("EARLY POSSESSION DATE"). (Also see Paragraphs 3.2 and 3.3.)

1.5 BASE RENT: $10,000.00 per month ("BASE RENT"), payable on the _____ day of each month commencing _____. (Also see Paragraph 4.)

[ ] If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum _____, attached hereto.

1.6(a) BASE RENT PAID UPON EXECUTION: $10,000.00 as Base Rent for the period October 1, 1999 - October 31, 1999.

1.6(b) LESSEE'S SHARE OF COMMON AREA OPERATING EXPENSES: N/A percent (_____%) ("Lessee's Share") as determined by [ ] prorata square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum ___.

1.7 SECURITY DEPOSIT: $10,000.00 ("SECURITY DEPOSIT"). (Also see Paragraph 5.)

1.8 PERMITTED USE: Warehouse/Storage/Light Industrial ("PERMITTED USE"). (Also see Paragraph 6.)

1.9 INSURING PARTY. Lessor is the "INSURING PARTY." (Also see Paragraph 8.)

1.10(a) REAL ESTATE BROKERS. The following real estate broker(s) (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[ ] _____ represents Lessor exclusively ("LESSOR'S BROKER");

[X] ROK Properties, Inc. represents Lessee exclusively ("LESSEE'S BROKER"); or

[ ] _____ represents both Lessor and Lessee ("Dual Agency"). (Also see Paragraph 15.)

1.10(b) PAYMENT TO BROKERS. Upon the execution of this Lease by both Parties, Lessor shall pay to said Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is no separate written agreement between Lessor and said Broker(s), the sum of $900) for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("GUARANTOR"). (Also see Paragraph 37.)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda consisting of Paragraphs _____ through _____, and Exhibits A through _____, all of which constitute a part of this Lease.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that is has been advised by the Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations and any covenants or restrictions of record (collectively, "APPLICABLE LAWS") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.3 LESSEE AS PRIOR OWNER/OCCUPANT. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.4 COMMON AREAS--DEFINITION. The term "COMMON AREAS" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other lessees of

the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas.

2.5 COMMON AREAS--LESSEE'S RIGHTS. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right

to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.6 COMMON AREAS--RULES AND REGULATIONS. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules and Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees of the Industrial Center.

2.7 COMMON AREAS--CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgement, deem to be appropriate.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of

this Lease are as specified in Paragraph 1.3.

3.2 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4, or if no

Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1). Lessor may use, apply or retain all or any portion of said Security Deposits for the payment of any amount due

Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessors uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the Initial Security Deposit bears to the Initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be

considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE.

6.1 PERMITTED USE.

(a) Lessees shall use and occupy the Premises only for the Permitted use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consents to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other Lessees, is not significantly more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. Lessee shall not engage in any activity in or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registrations or business plan is required to be filed with, any governmental authority, and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Laws require that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to

any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefor, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor written notice thereof, together with a copy of any statement, report, notice, registration,

application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing or sanitary sewer system).

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH REQUIREMENTS. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE REQUIREMENTS," which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill, or release of any Hazardous Substance), now in effect or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing with copies of any documents involved) of any threatened or actual claim, notice,

citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE WITH LAW. Lessor, Lessor's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lenders") shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused or materially contributed to by Lessee, is found to exist or to be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE, REPAIRS, UTILITY INSTALLATIONS, TRADE FIXTURES AND ALTERNATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain a contract, with copies to Lessor, in customary form and substance for and with a contractor specializing and experienced in the inspection,

maintenance and service of the heating, air conditioning and ventilation system for the Premises. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain the contract for the heating, air conditioning and ventilating systems, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on

Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including fire alarm and/or smoke detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 UTILITY INSTALLATIONS, TRADE FIXTURES, ALTERATIONS

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the Improvements on the Premises which are provided by Lessor under the terms of this Lease other than Utility Installations or Trade Fixtures. "LESSEE-OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as

Alternations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the Interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $2,500.00.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and

workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $2,500.00 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) LIEN PROTECTION. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor as surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim

or demand, indemnifying Lessor against liability of the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP, REMOVAL, SURRENDER, AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the

removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be moved by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUM INCREASES.

(a) As used herein, the term "Insurance Cost Increase" is defined as any increase in the actual cost of the insurance applicable to the Building and required to be carried by Lessor pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b), ("REQUIRED INSURANCE"), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. "INSURANCE COST INCREASE" shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, increased valuation of the Premises, and/or a general premium rate increase. The term "INSURANCE COST INCREASE" shall not, however, include any premium increases resulting from the nature of the occupancy of any other lessee of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the "BASE PREMIUM." If a dollar amount has not been inserted in Paragraph 1.9 and if the Building has been previously occupied during the twelve (12) month period immediately preceding the Commencement Date, the "BASE PREMIUM" shall be the annual premium applicable to such twelve (12) month period. If the Building was not fully occupied during such twelve (12) month period, the "Base Premium" shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Commencement Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $1,000,000 procured under Paragraph 8.2(b).

(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4.2. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessees, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" endorsement and contain the "Amendment of the Pollution Exclusion" endorsement for damage caused by heat, smoke or fumes from a hostel fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be

primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall also maintain liability insurance described in Paragraph 8.2(a) above, in addition to and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE-BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any lenders), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessees-Owned Alterations and Utility Installations, Trade Fixtures and Lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender or included in the Base Premium), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or polices shall also contain an agreed valuation provisioning in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers of the city nearest to where the Premises are located.

(b) RENTAL VALUE. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the nature of Lessor, with loss payable to Lessor and any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain

an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the rejected rental income, Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Industrial Center if said increase is caused by Lessee's act, omissions, use or occupancy of the Premises.

(d) LESSEE'S IMPROVEMENTS. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee-Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4. LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by Lessor as the Insuring Party under Paragraph 8.3(a). Such Insurance shall be full replacement cost coverage with a deductible not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and the restoration of Trade Fixtures and Lessee-Owned Alterations and Utility Installations. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss or damage to their property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case

of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other Lessee of Lessor nor from the failure by Lessor to enforce the provisions of any

other lease in the Industrial Center. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the Replacement Cost (as defined in Paragraph 9.1(d)) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction In addition, damage or destruction to the Building, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building) of the Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "INSURED LOSS" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a) irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PREMISES PARTIAL DAMAGE-INSURED LOSS. If Premises Partial Damage

that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee-Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefore. If Lessor receives said funds or adequate assurance thereof within said (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE-UNINSURED LOSS. If Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect). Lessor may at Lessor's option, either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if

Premises Total Destruction occurs (including any destruction required by any authorized public authority),

this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 9.7.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by (a) exercising such option, and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten (10) days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor' expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate as of the date set forth in the first sentence of this Paragraph 9.5.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the

Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after the receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph 9.6 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

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9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(c) and Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000 whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the excess costs of (a) investigation and remediation of such Hazardous Substance Condition to the extent required by Applicable Requirements, over (b) an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following said commitment by Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time period specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.8 TERMINATION-ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, Lessor shall return to Lessee any advance payment

made by Lessee to Lessor and so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVER OF STATUES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent it is inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2(a), applicable to the Industrial Center, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 REAL PROPERTY TAX DEFINITIONS.

(a) As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof, Lessor's right to rent

or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in Applicable Law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties.

(b) As used herein, the term "BASE REAL PROPERTY TAXES" shall be the amount of Real Property Taxes, which are assessed against the Premises, Building or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 ADDITIONAL IMPROVEMENTS. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 JOINT ASSESSMENT. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 LESSEE'S PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall pay directly for all utilities and services supplied to the Premises, including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor a reasonable proportion to be determined by Lessor of all such charges jointly metered or billed with other premises in the Building, in the manner and within the time periods set forth in Paragraph 4.2(d).

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assign") or sublet all or any part of

Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Lessee as it was represented to Lessor at the time of full execution and delivery of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "NET WORTH OF LESSEE" for purposes of this Lease shall be the net worth of Lessee (excluding any Guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a non-curable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days' written notice ("LESSOR'S NOTICE"), increase the monthly Base Rent for the Premises to the greater of the then fair market rental value of the Premises, as reasonably determined by Lessor, or one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installments(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as

the new rental bears to the Base Rent in effect immediately prior to the adjustment specified in Lessor's Notice.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, nor

(iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment of subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of the Lessee's obligations under this Lease, including any sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent (10%) of the

monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to six (6) times the then monthly Base Rent, and Lessor may make the actual receipt by Lessor of the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment schedule of the rent payable under this Lease by adjusted to what is then the market value and/or adjustment schedule for property similar to the Premises as then constituted, as determined by Lessor.

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12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such Sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become

due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "DEFAULT" by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "BREACH" by Lessee is defined as the occurrence

of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surely bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the rescission of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the

event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and shall not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurances of security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its own option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1), with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award

exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a

notice and grace period required under Subparagraph 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by Subparagraph 13.1(b), (c) or (d). In such case, the applicable grace period under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the

termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal

to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three(3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above Lessee's Share of the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

15. BROKERS' FEES.

15.1 PROCURING CAUSE. The Broker(s) named in Paragraph 1.10 is/are the procuring cause of this Lease.

15.2 ADDITIONAL TERMS. Unless Lessor and Broker(s) have otherwise agreed in writing, Lessor agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) granted under this Lease or any Option subsequently granted, or (b) if Lessee acquires any rights to the Premises or other premises in which Lessor has an interest, or (c) if Lessee remains in possession of the Premises with the consent of Lessor after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Broker(s) a fee in accordance with the schedule of said Broker(s) in effect at the time of the execution of this Lease.

15.3 ASSUMPTION OF OBLIGATIONS. Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be an intended third party beneficiary of the provisions of Paragraph 1.10 and of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.4 REPRESENTATIONS AND WARRANTIES. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder other than as named in Paragraph 1.10(a) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Broker(s) is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, and/or attorneys' fees reasonably incurred with respect thereto.

16. TENANCY AND FINANCIAL STATEMENTS.

16.1 TENANCY STATEMENT. Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice after written notice from the other Party (the "REQUESTING PART") execute, acknowledge and deliver to the Requesting Party a statement in writing in a form similar to the then most current "TENANCY STATEMENT" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 FINANCIAL STATEMENT. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be

reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or

assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party beneficiary of the provisions of this Paragraph 22.

23. NOTICES.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail, the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile

transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or any other term, covenant or condition hereof. Lessor's consent to, or approval of, any such act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any

qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Subject to the provisions of Paragraph 1.3 above, Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation to this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to two hundred percent (200%) of the Base Rent applicable during the month immediately preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of

Lessor's default with respect to any such obligation, Lessee will give any

Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that upon written request from Lessor or a Lender in connection with a sale, financing or refinancing or Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, attornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEYS' FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "PREVAILING PARTY" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. Lessor shall be entitled to attorneys' fees, costs and expenses incurred in preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. Broker(s) shall be intended third party beneficiaries of this Paragraph 31.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to

prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the Building, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or Building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place on or about the Premises any

ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the exterior of the Premises or the Building, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one of all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld

or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. In addition to the deposit described in Paragraph 12.2(e), Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the impositions by Lessor at the time of consent of such further or

other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. GUARANTOR.

37.1 FORM OF GUARANTY. If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this lease, including but not limited to the obligation to provide the Tenancy Statement and information required in Paragraph 16.

37.2 ADDITIONAL OBLIGATIONS OF GUARANTOR. It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a

Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. RULES AND REGULATIONS. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

40. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. RESERVATIONS. Lessor reserves the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights of way, utility raceways, and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not reasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

42. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part

thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

43. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and

deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

44. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. OFFER. Preparation of this Lease by either Lessor or Lessee or Lessor's agent or Lessee's agent and submission of same to Lessee or Lessor shall not be deemed an offer to lease. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. AMENDMENTS. This Lease may be modified only in writing, signed by the parties in interest at the time of the modification. The Parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

47. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKERS OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: San Francisco, California	Executed at: San Francisco, California
on: ----------	on: ----------
BY LESSOR:	BY LESSEE:
Rosenberg SOMA Investments IV, LLC,	Pets.Com, Inc.,
A Delaware Limited Liability Co.	A California corporation
By: /s/ Douglas Rosenberg	By: /s/ J.L. Wainwright
Name Printed: Douglas Rosenberg	Name Printed: J.L. Wainwright
Title: Manager	Title: CEO
Telephone: (415) 835-9808	Telephone: (415) 222-9999
Facsimile: (415) 835-9896	Facsimile: (415) 222-9998

NOTE: These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form:
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 345 So. Figueroa St., M-1, Los Angeles, CA 90071. (213) 687-8777.

EXHIBIT 10.32

EXCLUSIVE CROSS MARKETING AGREEMENT BETWEEN PETS.COM AND PETPLACE.COM

This Exclusive Cross Marketing Agreement (this "Agreement") is made as of September, 17 1999 (the "Effective Date") by and between Pets.com, Inc., a California corporation with offices at 435 Brannan Street, Suite 100, San Francisco, CA 94107 ("Pets.com") and PetPlace.com, Inc., a Delaware corporation with offices at 71 Broadway, Suite 22A, New York, New York 10006 ("PetPlace.com") (each a "party" and collectively the "parties").

BACKGROUND

Whereas, Pets.com owns and operates the Pets.com Site (as defined below) which markets and sells pet related goods to consumers;

Whereas, PetPlace.com owns and operates the PetPlace.com Site (as defined below) which provides on-line veterinary service; and

Whereas, the parties wish to enter into an exclusive relationship on the terms and conditions set forth herein. In consideration of the mutual promises contained herein, the parties hereby agree as follows:

AGREEMENT

1. DEFINITIONS.

"Above the Fold" means the placement of an icon, Link or other content on a Page such that it is viewable on a computer screen at an 800 x 600 pixels resolution by a user without having to scroll down to view more of the Page.

"Animal Main Pages" mean Pages within the Pets.com Site which are the entry point for products and information on an individual or group of animal species.

"Content/Resource Area" means an area within the Pets.com Site which shall contain content and resources for animals and which shall not be more than two (2) clicks away from the Pets.com Home Page.

"Home Page" means that Page of the web site which is designated as the initial end user interface for the web site.

"Intellectual Property Rights" means all rights in and to trade secrets, patents, copyrights, trademarks, know-how, as well as moral rights and similar rights of any type under the laws of any governmental authority, domestic or foreign, including rights in and to all applications and registrations relating to any of the foregoing.

"Launch Date" means the date on which the PetPlace.com Site shall be made available and accessible via the World Wide Web. The parties estimate that the Launch Date will occur on

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December 1, 1999. PetPlace.com shall provide Pets.com with regular monthly updates regarding the status of the Launch Date.

"Link" means a URL hidden behind a formatting option that may take the form of a colored item of text (such as a URL description), logo or image, "button" or graphic box, and which allows a user to access Pages, web sites or other text within a Page. The technical implementation of the Links shall be mutually agreed by the parties.

"Marks" of a party means such party's trademarks, trade names, service marks, service names, logos and other distinct brand elements that appear from time to time in such party's properties, ventures and services worldwide, together with any modifications to the foregoing made by such party during the term of this Agreement.

"Online" means on the Internet or other online service or network.

"Page" means a document on the Internet which may be viewed in its entirety without leaving the applicable distinct URL address.

"Partners Page" means that Page on the web site which is designated to contain information about the strategic partners of that web site.

"Pet Retail Company" means any web site, Online service, traditional retail store or other physical or virtual entity listed on Exhibit A, and any subsidiary or holding company of such entity. The parties will meet quarterly to discuss in good faith modifications or additions of this Exhibit A.

"PetPlace.com Site" means the web site owned and operated by PetPlace.com, and currently having a URL at http://www.petplace.com, and any successor site thereof.

"Pets.com Site" means the web site owned and operated by Pets.com, and currently having a URL at http://www.pets.com, and any successor site thereof.

"Revenue" means the purchase price of any product of service (excluding sales or similar taxes and shipping, if applicable) less any returns of products previously sold.

2. PETS.COM SITE PLACEMENT. After the Launch Date and during the term, Pets.com shall provide the following placements on the Pets.com Site:

2.1 HOME PAGE. Pets.com shall provide an Above the Fold Link (to be approved by both parties) on the Pets.com Home Page which links to the PetPlace.com Home Page.

2.2 CONTENT/RESOURCE AREA. Pets.com shall provide the following placements in the Content/Resource Area:

(a) Links on either a "Navigation Bar" or through a Link entitled "Learn more about medical care" (or similar language) to the PetPlace.com Site;

3

(b) Excerpted medical articles to be provided by Petplace.com which shall link to the full text of the article at the Petplace.com Site; and

(c) Medical terms which contain a Link to the PetPlace.com Site.

2.3 ANIMAL MAIN PAGES. Pets.com shall feature articles to be provided by PetPlace.com on its Animal Main Pages which shall contain a Link to the full text of the article at the PetPlace.com Site.

2.4 PARTNERS PAGE. Pets.com shall provide a Link on its Partners Page which shall link to the PetPlace.com Home Page.

3. PETPLACE.COM SITE PLACEMENT. After the Launch Date and during the term, PetPlace.com shall provide the following placements on the PetPlace.com Site:

3.1 HOME PAGE. PetPlace.com shall provide an Above the Fold Link (to be approved by both parties) on the Petplace.com Home Page which links to the Pets.com Home Page.

3.2 BUY BUTTONS. Petplace.com shall provide "Buy Button" Links after every pet product recommendation on the PetPlace.com Site and a "Buy All" Link at the end of each article which shall link to either a Pets.com Page which describes the product or a Pets.com Page where the user can purchase the product.

3.3 PARTNER PAGE. PetPlace.com shall develop a Page similar to Pets.com's Partner Page and shall include a Link on such Page which links to the Pets.com Home Page.

4. BANNER ADVERTISEMENTS. Pets.com shall have the right to purchase from PetPlace.com banner advertisements. The price, terms and placement of such banner advertisements to Pets.com [*]. In the event Pets.com were to sell banner

advertisements on the Pets.com Site in the future, Pets.com agrees that the price, terms and placement of such banner advertisements to Petplace.com [shall be no less favorable than that offered by Pets.com to any other third party].

5. REVENUE SHARING.

5.1 PETS.COM. Beginning with the conclusion of the first calendar quarter after the Launch Date and for each quarter thereafter, Pets.com will, within thirty (30) days after the end of each quarter, pay PetPlace.com [*] percent ([*]%) of any Revenue received from the purchase of any goods or services (including any subscription of the same) from the Pets.com Site by a user who "clicked through" from the PetPlace.com Site and made a purchase before leaving the Pets.com Site by any means. In addition, Pets.com shall pay PetPlace.com a new customer bounty of $10 for any person who "clicked through" from the Petplace.com Site and made a purchase from the Pets.com Site before leaving the Pets.com Site by any means and who was not a previous customer of Pets.com.

[*] CERTAIN CONFIDENTIAL INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SEC.

5.2 PETPLACE.COM. Beginning with the conclusion of the calendar quarter after the Launch Date and for each quarter thereafter, Petplace.com will, within thirty (30) days after the end of each quarter, pay Pets.com [*] percent ([*]%) of any Revenue received from the purchase of any services or goods (including any subscription of the same) from the Petplace.com Site by a user who "clicked through" from the Pets.com Site and made a purchase before leaving the PetPlace.com Site by any means. In addition, PetPlace.com shall pay Pets.com a new customer bounty of $[*] for any person who "clicked through" from the Pets.com Site and made a purchase from the PetPlace.com Site before leaving the Petplace.com Site by any means and who was not a previous customer of Petplace.com.

5.3 AUDIT RIGHTS. During the term of this Agreement and for one (1) year thereafter, either party, at its own expense, may cause an audit to be made of the other party's applicable records in order to verify the payments made pursuant to this Section 5 and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit, provided that: i) such audit be made by an independent Certified Public Accountant of national standing reasonably acceptable to the audited party; ii) the auditor agrees to keep the results of the audit confidential; iii) the audit will be conducted at the other party's place of business during normal business hours and with reasonable prior written notice; and iv) the audit is not conducted more than once per calendar year.

6 EXCLUSIVITY.

6.1 Pets.com shall be the exclusive Pet Retail Company associated with the PetPlace.com Site in that no banner advertisements, sponsorships, promotions or any other advertising, promotional or editorial content of any Pet Retail Company other than Pets.com shall appear on the PetPlace.com Site during the term of this Agreement. In addition, PetPlace.com shall not promote any Pet Retail Company other than Pets.com in any advertising, promotional or public relations materials in any form or medium. Petplace.com further agrees not to market or sell pet related products to consumers in competition with Pets.com. Notwithstanding the previous sentence, if Petplace.com recommends a pet related product to Pets.com and Pets.com chooses not to sell that product at the Pets.com Site, then PetPlace.com may sell that product at the Petplace.com Site.

6.2 PetPlace.com shall be the exclusive Online veterinary service provider associated with the Pets.com Site in that no banner advertisements, sponsorships, promotions or any other advertising or promotional content of any Online veterinary service provider other than PetPlace.com shall appear on the Pets.com Site during the term of this Agreement. In addition, Pets.com shall not promote any Online veterinary service provider other than Petplace.com in any advertising, promotional or public relations materials in any form or medium. Pets.com further agrees not to provide a revenue generating Online veterinary service in competition with PetPlace.com. Notwithstanding the foregoing, Petplace.com acknowledges that Pets.com currently provides and shall continue to provide pet care information content supplied by veterinarians at no cost to users on the Pets.com Site, provided such content is not directly competitive with PetPlace.com. PetPlace.com acknowledges, however, that the pet care information offered at the Pets.com Site as of the Effective Date, and any information offered

[*] CERTAIN CONFIDENTIAL INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SEC.

thereafter at the same or a lesser level of service or content, shall not be considered directly competitive with PetPlace.com within the meaning of this Section 6.2.

7. JOINT MARKETING AND PROMOTION.

7.1 PETS.COM OBLIGATIONS.

(a) PUBLIC RELATIONS. Pets.com will develop and execute against a

public relations plan during the first twelve (12) months of this Agreement which includes but is not limited to: (i) a specific press release announcing the relationship pursuant to this Agreement; (ii) a press tour for Julie Wainwright and Jon Rappaport targeting key Internet, consumer and business press such as for example CNN, MSNBC, Wall Street Journal, NY Times and ZDTV and other consumer magazines; and (iii) continued mention of Petplace.com as part of Pets.com's ongoing press materials. Pets.com estimates that it will deliver to Petplace.com 200 million impressions as a result of these efforts.

(b) TELEVISION. Pets.com will develop a specific television advertisement highlighting PetPlace.com and will run this advertisement as part of Pets.com normal media buy during the first twelve (12) months of this Agreement. Pets.com estimates that it will deliver to Petplace.com 100 million impressions from such a television advertisement.

(c) EMAIL NEWSLETTER. Pets.com will feature PetPlace.com in its regular newsletter to its installed base once per month. Pets.com estimates that it will deliver to PetPlace.com 10 million impressions from its newsletter during the first twelve (12) months of this Agreement.

(d) MAGAZINE. To the extent that Pets.com publishes a magazine, it will include a full page advertisement of PetPlace.com in the first quarter Year 2000 edition of the magazine. PetPlace.com shall provide the print advertising to Pets.com which shall meet the magazine's technical specifications by the required insertion date. Pets.com estimates its circulation to be at least 500,000 copies for this edition.

(e) PETS.COM IN-BOX SHIPMENTS. Pets.com will periodically insert PetPlace.com information into the shipments to its customers. The content of such PetPlace.com information will be mutually agreed by the parties. Pets.com estimates that it will insert Petplace.com information into shipments delivering one (1) million impressions during the first twelve (12) months of this Agreement.

(f) AMAZON PROMOTIONS. Pets.com will include references to PetPlace.com in its periodic Amazon in-box inserts and/or Amazon email newsletters. Pets.com estimates that it will include references in Amazon promotions that will deliver to PetPlace.com 11 million impressions during the first twelve (12) months of this Agreement.

(g) EDITORIAL CONTENT VENUE. Pets.com will create a credited venue for editorial content to be supplied by PetPlace.com that will allow consumers to see PetPlace.com as an authority on pet medical issues. Pets.com estimates that it will deliver to

PetPlace.com between five (5) and ten (10) million impressions through the editorial content venue during the first twelve (12) months of this Agreement.

7.2 MINIMUM IMPRESSIONS. Pets.com agrees to make commercially reasonable efforts to deliver to PetPlace.com the [estimated number of impressions], where applicable, as set forth in Section 7.1.

7.3 PETPLACE.COM OBLIGATIONS. PetPlace.com agrees to make commercially reasonable efforts develop a mutually acceptable marketing and promotional plan within three (3) months of the Effective Date which shall be attached hereto as Exhibit B.

7.4 QUARTERLY MEETINGS. The parties agree to have quarterly meetings to review and, if necessary, revise each party's respective marketing and promotional efforts to ensure that the mutual interests and objectives of both parties are met.

8. EQUITY INVESTMENT. The effective execution of this Agreement is conditioned upon the execution and delivery of a separate stock purchase agreement by the parties being entered into on or around the Effective Date. Notwithstanding the preceding sentence, Section 12.1 regarding confidentiality shall be effective immediately.

9. ADDITIONAL OBLIGATIONS.

9.1 USER DATA AND INFORMATION. Both parties agree to share with the other party at no cost any user data or information collected through their respective Sites which have been affirmatively opted in by the user (with the opt-in occurring at either the Pets.com or PetPlace.com Site), subject to any applicable privacy or other laws.

9.2 ANGELL MEMORIAL ENDORSEMENT. Petplace.com agrees to consider the endorsement of a private label food product supplied and distributed by Pets.com. PetPlace.com will also use its commercially reasonable efforts to gain endorsement from Angell Memorial.

9.3 CONSUMER MEDICAL QUESTIONS. Pets.com agrees to forward all email medical questions from users to Petplace.com and provided that PetPlace.com responds within twenty-four (24) hours to such questions. PetPlace.com agrees to provide two (2) free consultations to any such users as a special offer to Pets.com users.

9.4 PRODUCT SUPPLY CATALOG. Pets.com shall provide (or make available) to PetPlace.com current electronic versions of its product supply catalog data. The format, technical specifications and process for providing such catalog shall be mutually agreed to by the parties.

9.5 IMPLEMENTATION/COOPERATION. During the term, the parties will cooperate in good faith and use commercially reasonable efforts to establish and

implement procedures and processes for proposing, creating, approving and performing the obligations under this Agreement.

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10. TERM AND TERMINATION.

10.1 TERM. This Agreement will become effective as of the Effective Date and. unless sooner terminated as otherwise provided herein, or as otherwise mutually agreed, shall remain effective for a period of three (3) years from the Launch Date.

10.2 LAUNCH DATE. Pets.com shall have the right to terminate this Agreement upon written notice to PetPlace.com in the event that the Launch Date has not occurred by June 1, 2000.

10.3 TERMINATION FOR INSOLVENCY AND CAUSE. This Agreement may be terminated at any time by a party, effective immediately upon notice, if the other party: (a) undergoes an insolvency proceeding that is not dismissed within ninety (90) days; (b) files a petition in bankruptcy, (c) makes an assignment for the benefit of its creditors, or (d) breaches any of its material responsibilities or obligations under this Agreement, which breach is not remedied within thirty (30) days from receipt of written notice of such breach.

10.4 EFFECT OF TERMINATION. Upon expiration or termination of this Agreement: (a) each party shall return or, at the disclosing party's request destroy, the Confidential Information of the other party, (b) all licenses granted herein shall terminate and (c) Sections 10.4, 12, 13, 14, 15 and 17 shall survive.

11. LICENSES.

11.1 GRANT OF LICENSE BY PETPLACE.COM. Subject to the terms and conditions of this Agreement, PetPlace.com hereby grant Pets.com a nonexclusive, royalty-free, worldwide license to use, reproduce, publicly display, publicly perform, distribute and transmit the PetPlace.com Marks on the Pets.com Site and in other promotional materials solely to the extent necessary to perform its obligations under this Agreement, and provided that any such use will comply with any brand usage guidelines communicated by PetPlace.com to Pets.com in writing.

11.2 GRANT OF LICENSE BY PETS.COM. Subject to the terms and conditions of this Agreement, Pets.com hereby grants PetPlace.com a non-exclusive, royalty-free, worldwide license to use, reproduce, publicly display, publicly perform, distribute and transmit Pets.com Marks on the PetPlace.com Site and in other promotional materials solely to the extent necessary to perform its obligations under this Agreement, and. provided that

any such use of will comply with any brand usage guidelines communicated by Pets.com to Petplace.com in writing.

11.3 RESERVED RIGHTS. Without limiting the foregoing, each party reserves all rights other than those expressly granted in this Agreement, and no licenses are granted except as expressly set forth herein.

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12. PROPRIETARY INFORMATION.

12.1 CONFIDENTIALITY. PetPlace.com and Pets.com each agree to retain in confidence the non- public terms in this Agreement and all other non-public information and know-how disclosed pursuant to this Agreement which is either designated as proprietary and/or confidential, or by the nature of the circumstances surrounding disclosure, should reasonably be understood to be confidential ("Confidential Information"). Each party agrees to: (a) preserve and protect the confidentiality of the other party's Confidential Information; (b) refrain from using the other party's Confidential Information except as contemplated herein; and (c) not disclose such Confidential Information to any third party except to employees as is reasonably required under this Agreement (and only subject to binding use and disclosure restrictions at least as protective as those set forth herein executed in writing by such employees). Notwithstanding the foregoing, either party may disclose Confidential Information of the other party which is: (i) already publicly known; (ii) discovered or created by the receiving party without reference to the Confidential Information of the disclosing party, as shown in records of receiving party; (iii) otherwise known to the receiving party through no wrongful conduct of the receiving party, or (iv) required to be disclosed by law or court order. Moreover, either party hereto may disclose any Confidential Information hereunder to such party's agents, attorneys and other representatives or any court of competent jurisdiction or any other party empowered hereunder as reasonably required to resolve any dispute between the parties hereto.

12.2 OWNERSHIP.

(a) BY PETS.COM. As between Pets.com and PetPlace.com, Pets.com will have and retain full and exclusive right, title and ownership interest in and to Pets.com's Marks, together with any Intellectual Property Rights thereto.

(b) BY PETPLACE.COM. As between Petplace.com and Pets.com, PetP1ace.com will have and retain full and exclusive right, title and ownership interest in and to PetPlace.com's Marks, together with any Intellectual Property Rights thereto.

13. REPRESENTATION AND WARRANTIES.

13.1 BY EACH PARTY. Each party represents and warrants to the other that: (a) such party has the full right. power and authority to enter into this Agreement and to perform the acts required of it hereunder; (b) the execution of this Agreement by such party, and the performance by such party of its obligations and duties hereunder, do not and will not violate any agreement to which such party is a party or by which it is otherwise bound; and (c) when executed and delivered by such party, this Agreement will constitute the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

13.2 NO ADDITIONAL WARRANTIES. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT NEITHER PARTY MAKES, AND EACH PARTY HEREBY SPECIFICALLY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE ACTIVITIES AND SERVICES CONTEMPLATED BY

THIS AGREEMENT, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT AND ANY IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

14. INDEMNIFICATION

14.1 INDEMNIFICATION BY PETS.COM. Pets.com agrees, at its own expense, to defend or at its option to settle any claim or action brought against PetPlace.com arising out of or relating to a claim that: (a) use of Pets.com's Marks in accordance with the terms of this Agreement infringes a third party copyright or trademark, (b) any content on the Pets.com Site infringes the Intellectual Property Rights of a third party, is obscene or defamatory, violates any law or regulation, or breaches the rights of any person or entity, including, without limitation, rights of publicity, privacy or personality, and/or (c) results from a breach or alleged breach by Pets.com of any representation or warranty contained in Section 13.1; and Pets.com will indemnify PetPlace.com against any and all losses, damages, suits, judgments, costs and expenses (including litigation costs and reasonable attorneys' fees) arising under any such claim or action; provided that Petplace.com provides Pets.com with: (i) prompt written notice of such claim or action, (ii) sole control and authority over the defense or settlement of such claim or action (provided that Pets.com shall not enter into any settlement which materially affects PetPlace.com's rights without PetPlace.com's prior written consent), and (iii) proper and full information and reasonable assistance to defend and/or settle any such claim or action.

14.2 INDEMNIFICATION BY PETPLACE.COM. Petplace.com agrees, at its own expense, to defend or at its option to settle any claim or action brought against Pets.com arising out of or relating to a claim that: (a) use of

PetPlace.com's Marks in accordance with the terms of this Agreement infringes a third party copyright or trademark, (b) any content on the Petplace.com Site infringes the Intellectual Property Rights of a third party, is obscene or defamatory, violates any law or regulation, or breaches the rights of any person or entity, including, without limitation, rights of publicity, privacy or personality, and/or (c) results from a breach or alleged. breach by Petplace.com of any representation or warranty contained in Sections 13.1; and Petplace.com will indemnify Pets.com against any and all losses, damages, suits, judgments, costs and expenses (including litigation costs and reasonable attorneys' fees) arising under any such claim or action, provided that Pets.com provides PetPlace.com with: (i) prompt written notice of such claim or action, (ii) sole control and authority over the defense or settlement of such claim or action (provided that PetPlace.com shall not enter into any settlement which materially affects Pets.com's rights without Pets.com's prior written consent), and (iii) proper and full information and reasonable assistance to defend and/or settle any such claim or action.

15. LIMITATION OF LIABILITY. EXCEPT FOR LIABILITY ARISING UNDER SECTION 14, UNDER NO CIRCUMSTANCES WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND REGARDLESS OF THE THEORY OF

LIABILITY), ARISING FROM ANY PROVISION OF THIS AGREEMENT, SUCH AS, BUT NOT LIMITED TO, LOSS OF REVENUE OR ANTICIPATED PROFITS OR LOST BUSINESS. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY.

16. RESTRICTION ON CHANGE OF CONTROL OF PETPLACE.COM. PetPlace.com shall not (i) sell, license or otherwise transfer or make available for distribution or resale any of its assets, including services, content or products, related to Online veterinary services or related to its obligations under this Agreement directly to a Pet Retail Company, or (ii) effect any transaction or series of related transactions (by means of a merger, consolidation, issuance of stock or otherwise) with a Pet Retail Company in which the Pet Retail Company holds or has the right to hold more than thirty percent (30%) of the voting power of PetPlace.com's outstanding equity, without the prior written consent of Pets.com; provided that the foregoing consent requirement shall terminate on the earlier of (x) the second anniversary of the Effective Date, or (y) the closing of PetPlace.com's initial public offering of its capital stock resulting in aggregate proceeds of at least ten million dollars ($10,000,000), or (z) sixty (60) days after Pets.com shall make a bona fide written offer to PetPlace.com to effect any of the transactions specified in clauses (i) or (ii) above, except that written offers that arise from the transactions between the parties under this Agreement shall not effect a transaction under clause (i) above.

17. MISCELLANEOUS.

17.1 ARBITRATION. Any dispute, claim or controversy of any kind arising in connection with, or relating to, this Agreement, except for a dispute, claim or controversy arising under Sections 11 or 12, shall be resolved exclusively by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, by three (3) arbitrators appointed in accordance with said rules. Judgment on the award rendered by the arbitrators may be entered into any court of competent jurisdiction.

17.2 NOTICES. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice. Either party may change its address for notice purposes hereof on written notice to the other party in accordance with this Section 17.2.

<TABLE>
<S>
To Pets.com, Inc.
Pets.com, Inc.
435 Brannan Street, Suite 100
San Francisco, CA 94107
Attention: Julie Wainwright
Phone: 415.222.9999
Fax:415.222.9998

<C>
To PetPlace.com, Inc.
PetPlace.com, Inc.
71 Broadway, Suite 22A
New York. New York 10006
Attention: Jon Rappaport
Phone: 212.
Fax: 212.
</TABLE>

17.3 COSTS AND EXPENSES. Except as express provided in this Agreement elsewhere, each party will be responsible for all costs and expenses incurred by such party in performing its obligations under this Agreement.

17.4 NO JOINT VENTURE OR AGENCY. Nothing in this Agreement shall

constitute or create a joint venture, partnership, or any other similar arrangement between Pets.com and PetPlace.com. Neither party is authorized to act as agent or bind the other party except as expressly stated in this Agreement.

17.5 ASSIGNMENT. Neither party may transfer or assign any rights or delegate any obligations hereunder, in whole or in part, whether voluntarily or by operation of law, without the prior written consent of the other party except to an acquirer of all or substantially all of that party's business or assets (but PetPlace.com's right to transfer or assign to such an acquirer shall be subject to Section 16 hereof). Any purported transfer, assignment or delegation in violation of the foregoing will be null and void and of no force or effect.

17.6 HEADINGS. Sections, titles or captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any of its provisions.

17.7 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

17.8 ENTIRE AGREEMENT. This Agreement together with any Exhibits contains the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior and/or contemporaneous agreements or understandings, written or oral, between the parties with respect to the subject matter hereof.

17.9 GOVERNING LAW. This Agreement will be governed by and interpreted under the laws of the State of California, without giving effect to applicable conflicts of law principles.

17.10 AMENDMENT. This Agreement may not be amended or modified by the parties in any manner, except by an instrument in writing signed on behalf of each of the parties to which such amendment or modification applies by a duly authorized officer or representative.

17.11 WAIVER. Any of the provisions of this Agreement may be waived by the party entitled to the benefit thereof. Neither party will be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the waiving party, and then only to the extent specifically set forth in such writing. A waiver with reference to one event will not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

17.12 RECOVERY OF COSTS AND EXPENSES. If either party brings an action against the other party to enforce its rights under this Agreement, the prevailing party will be

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entitled to recover its costs and expenses, including, without limitation, attorneys' fees and costs incurred in connection with such action, including any appeal of such action.

17.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if both parties hereto had signed the same document. All counterparts will be construed together and will constitute one agreement.

[SIGNATURE PAGE TO FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers or representatives as of the Effective Date.

PETS.COM, INC.

By: /s/ Julie Wainwright

Title: CEO

Date: 9.17.99

PETPLACE.COM, INC.

By: /s/ Jon J. Rappaport

Title: CEO

Date: 9.17.99

EXHIBIT A

PET RETAIL COMPANIES
(INCLUDES BOTH ONLINE AND OTHER RETAIL BUSINESS)

<TABLE>
<S>
Aardvark Pet Supplies
Acme Pet
AllPets
Animal Krackers
Animal Mall
Animals Mall
Arcata Pet Online Pet Supplies
Coolpetstuff.com
DogToys.com
Fosters and Smith
Healthypets.com
Home Grocer
K-Mart
KV Pet Supply
Noah's Pet Supplies
Paws-itive Choice
Peapod
Pet Corral
Pet Expo
Pet Expo Discount
Pet Express
Pet Haven
Pet Med Express
Pet Planet
Pet Quarters
Pet Vet Discount Pet Supplies
Pet World Online
Petco
PetCrazy.com
Petfinder.org
</TABLE>

<TABLE>
<C>
PetFood Direct.com
Petland
PetMarket.com
Petopia
Petpetspets.com
Pets 4 Your Home
Pets Warehouse
PetsForum Group Electronic Mall
Petsmart
Petsmart.com
Petstore.com
RC Steele
Sammy's
Streamline
Target
Vet Mall
Vin.com
WalMart
WebVan
Wholesale Pet Shop
</TABLE>

EXHIBIT 10.33

AMERICAN VETERINARY MEDICAL FOUNDATION

SPONSORSHIP AGREEMENT

This Sponsorship Agreement (this "Agreement") is executed effective as of 10/21/99 (the "Effective Date") by and between the American Veterinary Medical Foundation (AVMF), a non-profit corporation located at 1931 N. Meacham Road, Suite 100, Schaumburg, Illinois 60173, and Pets.com ("Sponsor"), located at 435 Brannan Street, Suite 100, San Francisco, CA 94107.

WHEREAS, AVMF is producing a fundraising campaign consisting of various video-taped programs for the education of veterinary professionals and related public relations materials for a national consumer education and information program (the "Program"); and

WHEREAS, Sponsor wishes to support the campaign and have their company and product(s) featured in the Program; and

WHEREAS, in consideration for the Sponsor's participation in the Program, AVMF is willing to provide Sponsor with promotional messages to be included within video, the consumer public relations materials and other parts of the Program;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed by the parties hereto, it is agreed as follows:

1. AVMF will produce a series of video programs, each approximately one-half hour in length, to be entitled "Veterinary ClientLink" and containing current industry news, topical veterinary features, and educational and promotional materials targeted to practicing veterinarians and their staff members. The series will consist of a minimum of four (4) video programs to be distributed in each twelve (12) month period during the term of this Agreement. The series is to be distributed, as each program is completed, to selected members of the profession on VHS tapes for their information and continuing education.

2. AVMF will distribute not less than ten thousand (10,000) tapes of each Veterinary ClientLink video program (40,000 total minimum per year) to a selected group of veterinary hospitals and other key industry professionals. This distribution group shall be comprised of veterinarians and other AVMF supporters contributing five hundred dollars ($500) or more per year to the AVMF and participating in its Memorial program, as well as additional hospitals, veterinarians or others as determined by AVMF.

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3. AVMF shall provide Sponsor with commercial placements and other sponsorship benefits in Veterinary ClientLink videos produced and distributed during the term of this Agreement as follows:

a. Sponsor's logo on the video jacket or packaging.

b. Recognition in the video's opening or closing credits, such as "Produced through a grant from (Sponsor)"

c. A thirty (30) second commercial (or 2 fifteen (15) second commercials) in each program, to be provided by Sponsor on Beta SP tape and inserted by AVMF. The commercial(s) may either feature a product related to Sponsor's exclusive topic or another product of Sponsor's choosing provided it has not been selected as an exclusive topic by another sponsor.

d. Collaboration on one (1) feature story topic per year related to Sponsor's specialty or product issue. This topic shall be exclusive to Sponsor and may be renewed annually.

e. Insertion of one (1) piece of Sponsor's literature in the packaging of each video. Such material must conform to AVMF's packaging specifications.

4. Sponsor may contribute detailed information, scientific studies, video taped materials and other guidance to assist in the scripting of the video feature related to Sponsor's specialty or product category. AVMF agrees to work with Sponsor to develop a mutually acceptable video feature. Sponsor shall be granted the right of approval for its video feature script and related media releases to insure their accuracy and conformance with any regulatory requirements. However, to maintain the Program's editorial integrity, all other video content shall be determined solely by AVMF.

5. To assure timely delivery of all Program elements, Sponsor agrees to provide all information and materials required in the production of Sponsor's Veterinary ClientLink feature story and/or other public relations materials in the time and manner as may be prescribed by AVMF and agreed to by Sponsor. AVMF shall not be liable for delays or non-performance of this Agreement as a result of Sponsor's failure to provide the required information and materials as agreed upon.

6. Sponsor has sole responsibility for the content of the materials and information it submits to AVMF for inclusion in the Program, and warrants to

AVMF that: (i) it is authorized to sell the products or services advertised and to use any information or depiction submitted to AVMF; (ii) it has the right to use any trademarks, service marks, trade names, images, logos and slogans submitted; and (iii) to the best of its knowledge the information and materials submitted to AVMF will be true and accurate and in compliance with all applicable laws and regulations.

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7. AVMF warrants to Sponsor that it has obtained all necessary approvals and authorizations to provide the information and materials contained in the Program and that the Program, its contents and distribution are in compliance with all applicable laws and regulations.

8. Each party shall indemnify and hold harmless the other party, its officers, directors, employees, agents and subcontractors from and against all third party claims, demands, actions and costs to which the other party is or may become subject insofar as they arise out of or are alleged or claimed to arise out of (i) any breach by a party of any of its obligations under this Agreement, or (ii) any negligent or willful act or omission by a party or its employees, agents or subcontractors.

9. For public education and promotional purposes, AVMF will also prepare and distribute to the media the following news releases based on Sponsor's Veterinary ClientLink feature story:

a. Production and distribution of a Video News Release (VNR) package which will be offered to approximately twelve hundred (1,200) broadcast news points and distributed to television stations and networks by satellite uplink.

b. Use of Sponsor's expert spokesperson in a one (1) to two (2) hour Satellite Media Tour (SMT) and a similar Radio Media Tour (RMT) providing television and radio news interview opportunities on the same topic.

c. Production and distribution of a sixty (60) second national Radio News Release (RNR) on the topic.

d. Production and distribution of a television Public Service Announcement (PSA) on the topic.

e. Print releases delivering the story to major newspapers, consumer and special interest magazines and the veterinary trade press.

f. Publication of the feature story on the Veterinary ClientLink's Internet web site and other specialty sites used for media and veterinary access.

g. Hyper-linking the feature story on Veterinary ClientLink's Internet web site to Sponsor's Internet site, upon Sponsor's request.

AVMF will provide a non-binding written schedule of the proposed dates and times of the above news releases, media tours and publications to Sponsor no later than thirty (30) days prior to the scheduled news release media tour or publication. AVMF will provide Sponsor with weekly updates to the schedule. In addition, within sixty (60) days after the end of a program run, AVMF will provide to Sponsor a listing of the media entities that picked up the piece and the number of media impressions made for each piece.

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10. AVMF agrees that Sponsor may publicize and otherwise promote its relationship with AVMF as an underwriter and Sponsor of the Program, provided, however, that Sponsor shall have furnished advance copies of such materials prior to their use. AVMF shall have a period of five (5) business days after receipt of such materials (by overnight courier or by facsimile transmission) to review them and to notify Sponsor of any objection to such use, stating with reasonable specificity the nature of the objection and the reasons therefor. Such objection shall be based only on a reasonable conclusion that the proposed use is materially misleading to the proposed recipient or would imply to a reasonable recipient thereof an endorsement by AVMF of specific Sponsor product(s) in comparison to the product(s) of any other vendor. If Sponsor does not receive a response within the five (5) business day period set forth above, it will be presumed that there are no objections to the materials and Sponsor will be free to make use of such materials. If, within such five (5) business day period, Sponsor receives AVMF's objections, Sponsor will thereafter cooperate in good faith with AVMF to respond to and resolve and such objections. Sponsor may reproduce and use Sponsor's featured topic in the Veterinary ClientLink video and all AVMF-associated media releases in its marketing and public relations activities.

11. AVMF hereby acknowledges that it does not now have and shall not hereafter acquire, any interest in any of Sponsor's trademarks, trade names, service marks or logos.

12. Except for the usage provided herein for Sponsor's feature story, AVMF and its assigns retain all copyrights to and control over use of the Veterinary ClientLink materials and other Program materials. Any other duplication or use, other than as has been specifically granted herein to

Sponsor, may be made only with AVM F's prior written approval. Upon request by Sponsor, AVMF agrees to provide Sponsor with copies of Veterinary ClientLink videos for Sponsor's use in connection with Sponsor's business, and not for resale, at AVMF's cost (such cost may include a handling fee of up to 10% of the cost of the video).

13. To produce and promote the Veterinary ClientLink and its national consumer media campaign, AVMF has contracted with media specialists experienced in video production and media relations for the veterinary profession. Within the scope of this Agreement, these agents may act as a representative of AVMF in communicating with the Sponsor and in the production of Sponsor's features. Notwithstanding the foregoing, AVMF shall remain liable for performance of its obligations under this Agreement.

14. This Agreement shall commence on the Effective Date and, unless terminated earlier as provided for in herein, shall continue for a period of three (3) years from the release date of the first Veterinary ClientLink video. In the event that AVMF determines to continue the Program beyond three (3) years, Sponsor shall be granted the option and right of first refusal to

continue sponsorship, with exclusivity for the category of online or offline pet retail companies which sell consumer pet products for the Internet, under the terms and conditions then in effect.

15. AVMF agrees to feature Sponsor's exclusive category and Sponsor's products in one (1) issue during the each year of this Agreement. Sponsor shall pay AVMF the sum of one hundred sixty nine thousand seven hundred and seventy dollars ($169,770) per issue sponsored during the (3) year term of this Agreement as full and final consideration for its annual participation in the Program and all related sponsorship benefits as described above. An initial payment (the "Initial Payment") of eighty thousand dollars ($80,000) shall be due upon execution of the Agreement to allow immediate production scheduling of the Veterinary ClientLink video and other promotional materials. Additional payments (the "Additional Payments") of eighty nine thousand seven hundred and seventy dollars ($89,770) per issue shall be due upon notification of the scheduling of Sponsor's feature story for production, anticipated to be November 15, in 1999. Sponsor will be notified by AVMF of the scheduling of the feature date no later than sixty (60) days prior to production. In each subsequent year during the term of this Agreement, the Initial Payments shall be due and payable on the first day in June, and the Additional Payments shall be due upon notification of the scheduling of Sponsor's feature story for production.

16. Sponsor shall be granted category exclusivity for its Veterinary ClientLink feature story and related media releases for each year of this Agreement. AVMF agrees not to produce, broadcast or otherwise publish within the

scope of this Program other feature stories on this same category in collaboration with or promoting any other Sponsor. Sponsor's category issue of exclusivity shall be online or offline pet retail companies.

17. In the event that either party defaults or breaches any of the material provisions of this Agreement, the other party shall have the right to terminate this Agreement by giving written notice to the defaulting party, provided, however, that if said defaulting party cures said default or breach within thirty (30) days after said notice shall have been given, this Agreement shall continue in full force and effect. The failure on the part of either of the parties to exercise or enforce any right conferred upon it hereunder shall not be deemed to be a waiver of any such right nor operate to bar the exercise or enforcement thereof at any time thereafter.

18. If either party shall go into liquidation, or if a receiver or trustee shall be appointed for its property, or if a party makes an assignment for the benefit of creditors, the other party may terminate this Agreement forthwith by giving written notice to such effect. Termination of this Agreement for any cause shall not release either party from any obligation theretofore accrued.

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19. Neither party hereto shall be liable to the other for any failure to perform or delay in performance of its obligations hereunder (other than an obligation to pay monies) caused by (i) act of God, (ii) outbreak of hostilities, riot, civil disturbance, acts of terrorism, (iii) the act of any government or authority (including revocation or suspension of any license or consent), (iv) fire, explosion, flood, fog or bad weather, (v) theft, malicious damage, strike, lock out or industrial action of any kind (vi) any cause or circumstance whatsoever beyond its reasonable control provided the party so affected shall give prompt written notice to the other party. The party so affected shall promptly notify the other party when the cause or causes preventing restricting or interfering with its performance hereunder have been eliminated. If the failure or delay occasioned by force majeure exists for more than six months, either party can terminate this Agreement immediately by notice in writing to the other party, and, save in respect of any payment due, neither party shall have any liability to the other in respect of the termination of this Agreement as a result of an event of force majeure.

20. This Agreement represents the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements. No waiver, modification or additions shall be valid unless in writing and signed by the parties hereto. If any provision of this Agreement shall be declared invalid or unenforceable, the remaining provisions shall remain in full force and effect.

21. This Agreement shall be construed in accordance with the laws of the State of Illinois, without regard to its conflicts of law principles.

22. This Agreement and the rights and obligations hereunder shall not be assignable by either of the parties without the previous written consent of the other party, except that either party may assign this Agreement to an affiliate or to any entity with which it may merge or consolidate, or which it may transfer all or substantially all of its assets to which this Agreement relates, without obtaining the consent of the other party.

23. Notices under this Agreement shall be in writing and shall be deemed delivered when delivered in person or deposited in the United States mail, postage prepaid, addressed to the applicable party at the address shown at the beginning of this Agreement. Such address may be changed from time to time by either party by providing written notice to the other in the manner described.

24. Any dispute, claim or controversy of any kind arising in connection with, or relating to, this Agreement shall be resolved exclusively by binding arbitration in accordance with the rules of the American Arbitration Association.

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IN WITNESS THEREOF, each of the parties has duly executed and delivered this Agreement as of the Effective Date.

AMERICAN VETERINARY MEDICAL FOUNDATION:

By: /s/ R. L. Collinson, DVM Date: 10-15-99

Name: R.L. Collinson, DVM

Title: Chairman

Pets.com:

By: /s/ Chris Deyo Date: 10/21/99

Name: Chris Deyo

Title: President

EXHIBIT 10.34

EXCLUSIVE SPONSORSHIP AGREEMENT
BETWEEN PETS.COM AND AVMF

This Exclusive Sponsorship Agreement (this "Agreement") is made as of October 21, 1999 (the "Effective Date") by and between Pets.com, Inc., a California corporation with offices at 435 Brannan Street, Suite 100, San Francisco, CA 94107 ("Pets.com") and American Veterinary Medical Foundation, an Illinois corporation with offices at 1931 N. Meacham Road, Suite 100, Schaumburg, IL 60173 ("AVMF") (each a "party" and collectively the "parties").

BACKGROUND

Whereas, Pets.com owns and operates the Pets.com Site (as defined below) which markets and sells pet related goods to consumers;

Whereas, AVMF promotes the health and well-being of animals through the enhancement of veterinary medical education and science; and

Whereas, the parties wish to enter into an exclusive sponsorship on the terms and conditions set forth herein.

In consideration of the mutual promises contained herein, the parties hereby agree as follows:

AGREEMENT

1. Definitions.

"AVMF Site" means the web site owned and operated by AVMF, and currently having a URL at http://www.avma.org/avmf, and any successor site thereof.

"Content" means the data, text, audio, video, graphics, photographs, artwork and other technology and materials of either party.

"Home Page" means that Page of the web site which is designated as the initial end user interface for the web site.

"Intellectual Property Rights" means all rights in and to trade secrets, patents, copyrights, trademarks, know-how, as well as moral rights and similar rights of any type under the laws of any governmental authority, domestic or foreign, including rights in and to all applications and registrations relating to any of the foregoing.

"Link" means a URL hidden behind a formatting option that may take the form of a colored item

of text (such as a URL description), logo or image, "button" or graphic box, and which allows a user to access Pages, web sites or other text within a Page.

"Marks" of a party means such party's trademarks, trade names, service marks, service names, logos and other distinct brand elements that appear from time to time in such party's properties, ventures and services worldwide, together with any modifications to the foregoing made by such party during the term of this Agreement.

"Page" means a document on the Internet which may be viewed in its entirety without leaving the applicable distinct URL address.

"Partners Page" means that Page on the web site which is designated to contain information about the strategic partners of that web site.

"Pet Retail Company" means any web site, online service, traditional retail store or other physical or virtual entity that markets, sells, or allows customers to purchase pet care or pet related products. Without limiting the foregoing, the definition of Pet Retail Company includes any retailer of consumer goods which also sells pet care products.

"Pets.com Site" means the web site owned and operated by Pets.com, and currently having a URL at http://www.pets.com, and any successor site thereof.

2. Pets.com's Obligations.

2.1 Video Sponsorship. The parties acknowledge that Pets.com has sponsored the AVMF Vet Link Video pursuant to a separate sponsorship agreement dated October __, 1999.

2.2 "Add-A-Buck" Campaign. Pets.com agrees to develop and implement an "Add-A-Buck" (or similar name) fund raising campaign on the Pets.com Site in which the shopping cart check-out process would provide an opportunity for a user to click on a button which stated "Please join us in supporting the AVMF. Click here to add-a-buck to your bill for a non-profit, worthy cause" or similar wording. Such campaign shall be made available on the Pets.com Site once or twice a year for a 3 to 4 week period to be determined by Pets.com. In the event that such campaign does not generate a minimum of $100,000 ("Guaranteed Contributions") of revenue to AVMF per year for the term of this Agreement, Pets.com will compensate AVMF for the difference pursuant to Section 4.

2.3 E-mail Newsletter. Pets.com will mention its sponsorship of AVMF at least once a month in its biweekly email newsletter to its customer base who have "opted-in" to receive such newsletters, the content of which shall be mutually agreed by the parties.

2.4 Public Relations and Press Tour. Pets.com shall include AVMF in its public relations campaign such as, for example, by including AVMF in all press releases and participation in at least one

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press tour per year.

2.5 Partners Page. Pets.com shall provide a Link on its Partners Page which shall link to the AVMF Home Page.

2.6 Pets.com Magazine. Pets.com shall place a full-page advertisement in two (2) issues of the "Pets.com" magazine at no cost to AVMF. Such magazine is currently planned to be published six (6) times in the year 2000 and expected to have a circulation of 500,000 per issue.

2.7 Convention Space. Pets.com shall provide AVMF booth space at the Pets.com Dog Day Afternoon events at no cost to AVMF, which includes a national tour of eight (8) cities in the year 2000.

2.8 TYDTWD. Pets.com shall provide AVMF the opportunity to participate in Pets.com's "Take Your Dog to Work Day" annual event sponsored by Pets.com.

3. AVMF's Obligations.

3.1 Scholarship Support. AVMF agrees to administer a Veterinary Scholarship Program in which a portion of the payments made under this Agreement shall be used for the financial support of student scholarships. AVMF shall allocate thirty-one thousand dollars ($31,000) per year to be distributed as thirty-one (31) one thousand dollar ($1,000) scholarships to each veterinary school in the United States and Canada. AVMF shall acknowledge Pets.com as the provider of such scholarship monies.

3.2 Human-Animal Bonding Research. AVMF agrees to allocate $30,000 per year from the payments made under this Agreement for the support of human-animal bonding research programs, the selection of which shall be made by both parties.

3.3 Veterinary Associate Program. Subject to AVMF Board approval and compliance with the American Veterinary Medical Association guidelines, AVMF agrees to consider sponsorship of Pets.com's "Veterinary Associate Program."

3.4 Public Relations. AVMF agrees to include Pets.com in AVMF's public relations efforts on at least an equal level as other similar sponsors.

3.5 Other Promotions. AVMF agrees to send a letter of introduction to all veterinarians and/or clinics receiving the Client Link Video announcing Pets.com as a new AVMF sponsor. AVMF further agrees to provide Pets.com a list of all AVMF contacts, including without limitation members and individuals who have donated money to AVMF and who have expressed no objections to AVMF so that Pets.com may communicate with them. Any such communications shall be subject to the review and reasonable approval by AVMF.

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3.6 Endorsement. AVMF agrees to help Pets.com to develop and present within six (6) months of the Effective Date a proposal for endorsement of Pets.com to the AVMF Board of Directors.

4. Payments and Schedule. Pets.com shall pay AVMF a total of one million dollars (US $1,000,000) for the term of this Agreement less $509,310 for sponsorship of the Vet Link Video in accordance with the following schedule: beginning on the Effective Date and for each ninety (90) days ("Quarter") thereafter, Pets.com will pay AVMF $40,891 within thirty (30) days after the end of such Quarter. At the fourth Quarter prior to each anniversary of this Agreement, Pets.com shall adjust the fourth Quarter payment to AVMF to compensate for any amount collected from the "Add-a-buck" campaign exceeding the Guaranteed Contributions.

5. Exclusivity. Pets.com shall be the exclusive sponsor and Pet Retail Company associated with the AVMF in that AVMF shall not promote any Pet Retail Company other than Pets.com in any advertising, promotional or public relations materials in any form or medium, including without limitation the placement of banner advertisements, sponsorships, promotions or editorial content of any Pet Retail Company other than Pets.com on the AVMF Site during the term of this Agreement. Both parties acknowledge that AVMF is a non-profit foundation and can accept contributions from other Pet Retail Companies provided that such Pet Retail Companies do not receive any online or offline promotional acknowledgment other than as a line listing along with other donors.

6. Term and Termination.

6.1 Term. This Agreement will become effective as of the Effective Date and, unless sooner terminated as otherwise provided herein, or as otherwise mutually agreed, shall remain effective for a period of three (3) years from the Effective Date. This Agreement may be renewed by mutual consent of the parties.

6.2 Termination for Insolvency and Cause. This Agreement may be terminated at any time by a party, effective immediately upon notice, if the other party: (a) undergoes an insolvency proceeding that is not dismissed within thirty (30) days; (b) files a petition in bankruptcy, (c) makes an assignment for the benefit of its creditors, or (d) breaches any of its material responsibilities or obligations under this Agreement, which breach is not cured within thirty (30) days from receipt of written notice of such breach.

6.3 Effect of Termination. Upon expiration or termination of this Agreement: (a) each party shall return or, at the disclosing party's request destroy, the Confidential Information of the other party, (b) all licenses granted herein shall terminate and (c) Sections 6.3, 8, 9, 10 and 11 shall survive.

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7. Licenses.

7.1 Grant of License by AVMF. Subject to the terms and conditions of this Agreement, AVMF hereby grant Pets.com an exclusive royalty-free, worldwide license to use, reproduce, publicly display, publicly perform, distribute and transmit the AVMF Marks and AVMF Content on the Pets.com Site and in other promotional materials solely to the extent necessary to perform its obligations under this Agreement and limited to the exclusivity provisions set forth in Section 5, and provided that any such use will comply with any brand usage guidelines communicated by AVMF to Pets.com in writing.

7.2 Grant of License by Pets.com. Subject to the terms and conditions of this Agreement, Pets.com hereby grants AVMF a non-exclusive, royalty-free, worldwide license to use, reproduce, publicly display, publicly perform, distribute and transmit the Pets.com Marks and Pets.com Content in promotional materials solely to the extent necessary to perform its obligations under this Agreement, and provided that any such use will comply with any brand usage guidelines communicated by Pets.com to AVMF in writing.

7.3 Reserved Rights. Without limiting the foregoing, each party reserves all rights other than those expressly granted in this Agreement, and no licenses are granted except as expressly set forth herein.

8. Proprietary Information.

8.1 Confidentiality. AVMF and Pets.com each agree to retain in confidence the non-public terms in this Agreement and all other non-public information and know-how disclosed pursuant to this Agreement which is either designated as proprietary and/or confidential, or by the nature of the circumstances surrounding disclosure, should reasonably be understood to be confidential ("Confidential Information"). Each party agrees to: (a) preserve and protect the confidentiality of the other party's Confidential Information; (b) refrain from using the other party's Confidential Information except as contemplated herein; and (c) not disclose such Confidential Information to any third party except to employees as is reasonably required under this Agreement (and only subject to binding use and disclosure restrictions at least as protective as those set forth herein executed in writing by such employees). Notwithstanding the foregoing, either party may disclose Confidential Information of the other party which is: (i) already publicly known; (ii) discovered or created by the receiving party without reference to the Confidential Information of the disclosing party, as shown in records of receiving party; (iii) otherwise known to the receiving party through no wrongful conduct of the receiving party, or (iv) required to be disclosed by law or court order. Moreover, either party hereto may disclose any Confidential Information hereunder to such party's agents, attorneys and other representatives or any court of competent jurisdiction or any other party empowered hereunder as reasonably required to resolve any dispute between the parties hereto.

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8.2 Ownership.

(a) By Pets.com. As between Pets.com and AVMF, Pets.com will have and retain full and exclusive right, title and ownership interest in and to the Pets.com Marks and Pets.com Content, together with any Intellectual Property Rights thereto.

(b) By AVMF. As between AVMF and Pets.com, AVMF will have and retain full and exclusive right, title and ownership interest in and to the AVMF Marks and AVMF Content, together with any Intellectual Property Rights thereto.

9. Representation and Warranties.

9.1 By Each Party. Each party represents and warrants to the other that: (a) such party has the full right, power and authority to enter into this Agreement and to perform the acts required of it hereunder; (b) the execution of this Agreement by such party, and the performance by such party of its obligations and duties hereunder, do not and will not violate any agreement to which such party is a party or by which it is otherwise bound; and (c) when executed and delivered by such party, this Agreement will constitute the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

9.2 No Additional Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES, AND EACH PARTY HEREBY SPECIFICALLY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE ACTIVITIES AND SERVICES CONTEMPLATED BY THIS AGREEMENT, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT AND ANY IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

10. Indemnification.

10.1 Indemnification by Pets.com. Pets.com agrees, at its own expense, to defend or at its option to settle any claim or action brought against AVMF arising out of or relating to a claim that: (a) use of the Pets.com Marks or the Pets.com Content in accordance with the terms of this Agreement infringes a third party copyright or trademark, (b) any Content on the Pets.com Site infringes the Intellectual Property Rights of a third party, is obscene or defamatory, violates any law or regulation, or breaches the rights of any person or entity, including, without limitation, rights of publicity, privacy or personality, and/or (c) results from a breach or alleged breach by Pets.com of any representation or warranty contained in Section 9.1; and Pets.com will indemnify AVMF against any and all losses, damages, suits, judgments, costs and expenses (including litigation costs and reasonable attorneys' fees) arising under any such claim or action; provided that AVMF provides Pets.com with: (i) prompt written notice of such claim or action, (ii) sole control and authority

over the defense or settlement of such claim

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or action (provided that Pets.com shall not enter into any settlement which materially affects AVMF's rights without AVMF's prior written consent), and (iii) proper and full information and reasonable assistance to defend and/or settle any such claim or action.

10.2 Indemnification by AVMF. AVMF agrees, at its own expense, to defend or at its option to settle any claim or action brought against Pets.com arising out of or relating to a claim that: (a) use of the AVMF Marks or AVMF Content in accordance with the terms of this Agreement infringes a third party copyright or trademark, (b) any Content on the AVMF Site infringes the Intellectual Property Rights of a third party, is obscene or defamatory, violates any law or regulation, or breaches the rights of any person or entity, including, without limitation, rights of publicity, privacy or personality, and/or (c) results from a breach or alleged breach by AVMF of any representation or warranty contained in Sections 9.1; and AVMF will indemnify Pets.com against any and all losses, damages, suits, judgments, costs and expenses (including litigation costs and reasonable attorneys' fees) arising under any such claim or action; provided that Pets.com provides AVMF with: (i) prompt written notice of such claim or action, (ii) sole control and authority over the defense or settlement of such claim or action (provided that AVMF shall not enter into any settlement which materially affects Pets.com's rights without Pets.com's prior written consent), and (iii) proper and full information and reasonable assistance to defend and/or settle any such claim or action.

11. Limitation of Liability. EXCEPT FOR LIABILITY ARISING UNDER SECTION 10, UNDER NO CIRCUMSTANCES WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND REGARDLESS OF THE THEORY OF LIABILITY), ARISING FROM ANY PROVISION OF THIS AGREEMENT, SUCH AS, BUT NOT LIMITED TO, LOSS OF REVENUE OR ANTICIPATED PROFITS OR LOST BUSINESS. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY.

12. Miscellaneous.

12.1 Arbitration. Any dispute, claim or controversy of any kind arising in connection with, or relating to, this Agreement, except for a dispute, claim or controversy arising under Section 8, shall be resolved exclusively by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, by three (3) arbitrators appointed in accordance with said rules. Judgment on the award rendered by the arbitrators may be entered into any court of competent jurisdiction.

12.2 Notices. Any notice required or permitted by this Agreement

shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is

addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice. Either party may change its address for notice purposes hereof on written notice to the other party in accordance with this Section.

<TABLE>
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To Pets.com	To AVMF
Pets.com, Inc. 435 Brannan Street, Suite 100 San Francisco, CA 94107 Attention: Julie Wainwright	American Veterinary Medical Foundation 1931 N. Meacham Road, Suite 100 Schaumburg, IL 60173-4360 Attention: Executive Director and Chairman
Phone: 415.222.9999	Tel: 847.925.8070
Fax: 415.222.9998	Fax: 847.925.1329

</TABLE>

12.3 Costs and Expenses. Except as express provided in this Agreement elsewhere, each party will be responsible for all costs and expenses incurred by such party in performing its obligations under this Agreement.

12.4 No Joint Venture or Agency. Nothing in this Agreement shall constitute or create a joint venture, partnership, or any other similar arrangement between Pets.com and AVMF. Neither party is authorized to act as agent or bind the other party except as expressly stated in this Agreement.

12.5 Assignment. Neither party may transfer or assign any rights or delegate any obligations hereunder, in whole or in part, whether voluntarily or by operation of law, without the prior written consent of the other party except to an acquirer of all or substantially all of that party's business or assets. Any purported transfer, assignment or delegation in violation of the foregoing will be null and void and of no force or effect.

12.6 Headings. Sections, titles or captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any of its provisions.

12.7 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be

ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

12.8 Entire Agreement. This Agreement together with any Exhibits contains the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior and/or contemporaneous agreements or understandings, written or oral, between the parties with respect to the subject matter hereof.

12.9 Governing Law. This Agreement will be governed by and interpreted under the laws of the State of Illinois, without giving effect to applicable conflicts of law principles.

12.10 Amendment. This Agreement may not be amended or modified by the parties in any

manner, except by an instrument in writing signed on behalf of each of the parties to which such amendment or modification applies by a duly authorized officer or representative.

12.11 Waiver. Any of the provisions of this Agreement may be waived by the party entitled to the benefit thereof. Neither party will be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the waiving party, and then only to the extent specifically set forth in such writing. A waiver with reference to one event will not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

12.12 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if both parties hereto had signed the same document. All counterparts will be construed together and will constitute one agreement.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers or representatives as of the Effective Date.

PETS.COM, INC.

By: /s/ Julie Wainwright

Name: Julie Wainwright

Title: CEO

Date: 1/5/00

AMERICAN VETERINARY MEDICAL FOUNDATION

By: /s/ R. L. Collinson

Name: R. L. Collinson

Title: Board Chair

Date: 12-22-99

EXHIBIT 10.35

CONTENT PARTNER/DISTRIBUTION AGREEMENT

This Content Partner/Distribution Agreement ("Agreement") is entered into by and among Pets.com, Inc., a corporation duly organized under the laws of the State of Delaware, with its principal place of business at 435 Brannan Street, San Francisco, California 94107 ("Content Partner"), Buena Vista Internet Group, a corporation duly organized under the laws of the State of California, with its principal place of business at 500 South Buena Vista Street, Burbank, CA 91521-0607 ("BVIG"), and Infoseek Corporation, a corporation duly organized under the laws of the State of California, with its principal place of business at 1399 Moffett Park Drive, Sunnyvale, California 94089-1134 ("Infoseek") (BVIG and Infoseek collectively referred to herein as the "GO Entities"). The effective date of this Agreement is January 15, 2000 (the "Effective Date").

WITNESSETH:

WHEREAS, BVIG hosts and maintains the U.S. versions of certain Internet sites, including Family.com and Disney.com, which sites are part of GO Network.

WHEREAS, Infoseek hosts and maintains the U.S. version of the Internet portal service which is part of GO Network.

WHEREAS, Catalyst Investments, L.L.C. ("Catalyst") is a limited liability corporation which makes and holds certain investments for The Walt Disney Company.

WHEREAS, ABC, Inc. ("ABC") owns and/or operates certain broadcast properties.

WHEREAS, BVIG, Infoseek, Catalyst and ABC are subsidiaries and Affiliates of The Walt Disney Company.

WHEREAS, Content Partner is an online retailer of pet products, information and resources.

WHEREAS, the GO Entities wish to enter into a relationship with Content Partner for, among other things, the distribution and placement of certain Content Partner content and advertising on GO Network, advertising by Content Partner on the ABC broadcast properties, Catalyst's equity investment in Content Partner and joint on-line and offline promotion opportunities.

NOW, THEREFORE, for good and valuable consideration, and in consideration of the mutual covenants and conditions herein set forth, and with the intent to be legally bound thereby, BVIG, Infoseek and Content Partner hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 AFFILIATE means with respect to a party to this Agreement, any entity that directly or indirectly controls, or is under common control with, or is controlled by, such party or in which such party beneficially owns at least fifty percent (50%) of the equity interests; "control" (including, with its correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

1.2 CONTENT means editorial content, products, services, tools, applications and commerce provided by Content Partner to the GO Entities or distributed by Content Partner to GO

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Network Users through the GO Network-Wrapped Pages relating to pets and animals and as further described in Appendix A, including, without limitation, advertisements for Content Partner or its services and/or products.

1.3 CONTENT PARTNER COMPETITORS mean the following pet supply retailers: PETCO Animal Supplies, Inc., PETsMart, Inc. and its affiliate PETsMART.com, Inc., Petopia.com, Petstore.com, PetQuarters, Inc., Drs. Foster & Smith, Inc., Petland, PetPlanet.com, Inc., PogoPet.com, Inc. and their subsidiaries and direct successors. Upon written notice to the GO Entities, Content Partner may from time to time substitute other companies or entities engaged primarily in the business of pet supplies and accessories retail for the entities listed herein or, subject to the limit described herein, add other companies or entities to the definition of "Content Partner Competitors" subject to the approval of the GO Entities which will not be unreasonably withheld. In no event shall the total number of companies or entities designated by Content Partner as "Content Partner Competitors" exceed ten (10) at any one time.

1.4 CONTENT PARTNER SERVICE means the U.S. version of the web site located at www.pets.com and/or such other successor, extension or replacement site(s) as may be designated by Content Partner.

1.5 DISNEY.COM is the U.S. version of the Internet service for The Walt Disney Company currently located at disney.go.com.

1.6 EFFECTIVE DATE shall have the meaning set forth in the Preamble to this Agreement.

1.7 FAMILY.COM is the U.S. version of the Internet service related to family issues currently located at family.go.com.

1.8 GO.COM (THE ENTITY) refers to the online properties of The Walt Disney Company, including the following subsidiaries and organizations of The Walt Disney Company: BVIG (which operates Disney.com, Family.com, mrshowbiz.com and certain other sites), Infoseek (which operates the GO Portal), ABC News/Starwave Partners d/b/a AIV Ventures and ESPN/Starwave Partners d/b/a EIV Ventures, which respectively operate ABCNews.com and ESPN.com.

1.9 GO.COM COMPETITORS mean the following Internet portal companies: AOL, Yahoo, Lycos, Excite, MSN and Snap; and the following media companies: Time Warner and Viacom; and their subsidiaries and direct successors. Upon written notice to Content Partner, the GO Entities may from time to time substitute other companies or entities engaged primarily in the business of providing Internet portal services or in the media business for the entities listed here subject to the approval of Content Partner which will not be unreasonably withheld. In no event shall the total number of companies or entities designated by the GO Entities as "GO.com Competitors" exceed eight (8) at any one time.

1.10 GO ENTITIES has the meaning set forth in the Preamble to this Agreement and specifically excludes AIV Ventures and EIV Ventures, which respectively operate ABCNews.com and ESPN.com.

1.11 GO NETWORK is the U.S. version of the Internet service currently located at go.com and certain subdomains of go.com which service includes the GO Portal and certain vertical Internet sites such as Family.com, Disney.com, ABCNews.com and ESPN.com.

1.12 GO NETWORK-WRAPPED PAGES means co-branded pages with the GO Wrapper that display the Content, as further described herein.

1.13 GO PORTAL means the U.S. version of the Internet portal service located at www.go.com and/or such other successor, extension or replacement site(s) as may be designated by the GO Entities.

1.14 GO WRAPPER means a page with the GO Network Trademarks and includes the GO Network header, footer, tabs, breadcrumb and other navigational elements and copyright notice as provided by the GO Entities.

1.15 INITIAL TERM has the meaning set forth in Section 12.1.

1.16 LINK means a so-called "hot link" in graphical and/or textual format located on the applicable areas of the Service which takes a User directly to another web site or area within the site.

1.17 PETSMART AGREEMENT has the meaning set forth in Section 3.4.

1.18 STANDARD DISTRIBUTION DEAL means an advertising and/or shopping opportunity that is available to multiple parties in a party's same space. For example, "Standard Distribution Deal" includes key word buys, advertising banner and button buys, and merchant slotting buys.

1.19 TDSO means The Disney Store online currently located at Store.Disney.go.com.

1.20 TRADEMARKS means trade names, logos and trademarks, and representations of the foregoing.

1.21 USERS means individuals or entities that access GO Network.

ARTICLE 2 EQUITY INVESTMENT AND ABC TV ADVERTISING

2.1 Equity Investment. Content Partner will issue to Catalyst 1,378,000 shares of Content Partner's Series C Preferred Stock (the "Shares") which represent no less than five percent (5%) of the total number of outstanding shares of Content Partner's capital stock (assuming exercise of all outstanding options and warrants) as of the Effective Date in exchange for $11,024,000.00 of Promotion as described below. Terms and conditions regarding the Shares will be as set forth in executed definitive equity documents substantially in the form attached hereto as Appendix B (the "Equity Documents"). In the event and to the extent there is a conflict between the terms and conditions set forth in the Equity Documents and the terms and conditions set forth in this Agreement, the terms and conditions in the Equity Documents shall govern.

2.2 Consideration For Shares. Content Partner and the GO Entities agree that in consideration for the Shares, "Promotion" shall consist of the ABC Media Rights as described on Appendix C attached hereto, rights to which will not vest until, but will become irrevocable upon, the transfer of the Shares to Catalyst. In the event the GO Entities are unable to provide Promotion as described herein with an aggregate market value of $11,024,000.00 by the date three (3) years from the Effective Date, the GO Entities shall pay Content Partner cash in the amount for which it was unable to provide Promotion. Such make-good cash payment shall be Content Partner's sole and exclusive remedy for the GO Entities' failure to provide such

Promotion.

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ARTICLE 3 PURCHASE OF ONLINE MEDIA PLACEMENT

3.1 Purchase of Online Advertising and Sponsorship. Content Partner hereby agrees to purchase online media placement on GO Network ("Online Advertising") in an aggregate amount of at least Nine Million Dollars ($9,000,000) during the Initial Term of the Agreement. Online Advertising may be placed on GO Network properties operated by BVIG or Infoseek and on properties such as ABCNews.com and ESPN.com operated by GO.com entities which are not parties to this Agreement.

3.2 Terms and Conditions of Advertising Purchase. Such purchase of online media placement shall be on substantially the terms and conditions set forth in the forms of Advertising Agreement and Advertising Insertion Order attached hereto as Appendices D-1 and D-2, respectively (the "Advertising Agreements").

3.3 Placement of Advertising. Content Partner, BVIG and Infoseek will determine an initial placement schedule and will meet no less than once every quarter during the Initial Term to review media placements and actual performance against projected impressions and to determine future placement schedules to optimize performance within the projected impression ranges. The initial placement schedule is attached hereto as Appendix E. Placements and impression levels on the initial placement schedule are projections only and are subject to change. Content Partner's Online Advertising will Link to a page in the Content Partner Service. Content Partner may determine the page in the Content Partner Service to which such Online Advertising Links; provided however that no Link shall take a User directly to a registration page in the Content Partner Service. All Online Advertising, including Links from such Online Advertising, shall comply with the then current GO.com Advertising Guidelines, the current form of which is attached hereto as Appendix F-2, and the terms and conditions of the relevant Advertising Agreement.

3.4 Petsmart Agreement. Content Partner acknowledges that Infoseek is a party to an agreement with Petsmart.com, Inc. (the "Petsmart Agreement") which agreement contains certain advertising and other restrictions. During the term of the Petsmart Agreement, Infoseek will be restricted from accepting certain placements of Content Partner Content, including advertising. Content Partner acknowledges and agrees that nothing in this Agreement is intended to put Infoseek in breach of its obligations under the Petsmart Agreement and any actions taken by Infoseek which Infoseek deems necessary or advisable to comply with the Petsmart Agreement shall not be deemed a breach of this Agreement. In the event the advertising purchase portion of the Petsmart Agreement becomes available during the term of this Agreement, Infoseek will grant Content Partner a right of first refusal to purchase such advertising placement.

3.5 Fees and Payments. Content Partner will pay advertising fees in accordance with the schedule set forth on Appendix D-3 and the provisions in Article 8.

ARTICLE 4 DISPLAY OF CONTENT ON GO NETWORK

4.1 General. Subject to the license set forth in Section 6.1, the GO Entities and Content Partner plan to integrate Content into certain areas of GO Network and may display Content on GO Network-Wrapped Pages as described below during the term of this

Agreement. In addition, the GO Entities and Content Partner plan to enter into certain joint marketing activities as described herein and as mutually agreed.

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4.2 Display of Content on GO Network.

a. Content Placement. Subject to the license set forth in Section 6.1, the GO Entities will place Content on GO Network as follows:

- Disney.com will integrate Content on its Animal/Pets Channel

- Disney.com may include a Link to the Content Partner Service from a fixed position on its Animals/Pets Channel

It is intended that Content will be integrated into the GO Network so as to retain the "look and feel" of the site/page where the Content is being integrated. The GO Entities will host such Content and shall prepare such Content for display on GO Network by editing and making such other technical alterations conforming such Content to GO Network format provided that the GO Entities shall not alter the substantive meaning of Content. The frequency and actual placement of Content shall be at the sole discretion of the GO Entities. The GO Entities will retain ultimate creative approval over any and all Content displayed on GO Network.

a. Exclusive Content. Content Partner will provide certain exclusive content to the GO Entities for use on GO Network. Such exclusive Content will not be provided to third parties; provided however, that Content Partner may use such exclusive Content on the Content Partner Service or in its magazine, newsletters or other online and off-line marketing communications. The parties will mutually agree upon the exclusive content to be provided. The GO Entities' use of such exclusive content shall be subject to the license set forth in Section 6.1.

b. Attribution. Content Partner will generally receive static textual attribution at the top-level page where its Content is distributed on GO Network (other than on the GO Network-Wrapped Pages) and dynamic Link textual attribution at the lowest-level page or end of the Content. For example, a Content Partner article will have a static textual attribution at the beginning of the article and a dynamic "Find Out More" Link at the end. Such Link will Link to the Content Partner Service.

c. Other Distribution of Content. In addition to distribution of the Content as described above, Content Partner agrees that the GO Entities may distribute such of Content Partner's Content elsewhere on GO Network as the GO Entities deem appropriate. Content displayed on other areas of GO Network will be subject to the terms and conditions stated herein.

d. Hosting; GO Network Attributes. Disney.com, Family.com and the GO Portal will be hosted by the GO Entities. Notwithstanding anything herein, the GO Entities retain

the right to adapt or otherwise alter the design, look and any other attributes of Disney.com, Family.com, the GO Portal and any other pages in GO Network.

4.3 GO Network-Wrapped Pages.

a. General; Hosting. The GO Entities may request that Content Partner create GO Network-Wrapped Pages. GO Network-Wrapped Pages are co-branded pages which will contain the GO Wrapper and display Content from Content Partner. It is intended that the GO Network-Wrapped Pages contain substantially the content and features of the Content Partner Service and other content and features as the parties mutually agree. The GO Network-Wrapped Pages may include an opportunity for Users to

register with GO Network and Content Partner as described in Article 7 below. Content Partner will host the GO Network-Wrapped Pages and will serve such pages out of a dynamic virtual domain to be located at http://virtual domain name.go.com (the "Virtual Domain"); provided however, that Users in the Virtual Domain who are accessing product/commerce pages (as opposed to pages with editorial content) may be served from the Content Partner Service as follows: (i) a User in the Virtual Domain who has been reviewing editorial content who then clicks on a product/commerce page may be served from a page in the Content Partner Service upon clicking on to a product/commerce image or Link and (ii) a User who comes to the Virtual Domain by clicking on to a product/commerce page, e.g., through a search for pet supplies, will be served from a GO Network-Wrapped Page in the Virtual Domain until such time as such User puts a product into a Content Partner shopping cart at which time such User maybe served from the Content Partner Service. Content Partner shall own all revenues generated from commerce on the Content Partner Service. The parties anticipate that, excluding virtual domains which may be created for promotions, Content Partner will not be required to maintain more than one Virtual Domain to host the GO Network-Wrapped Pages. All GO Network-Wrapped Pages will include the GO Wrapper but the GO Wrapper will not displace Content Partner's "look and feel," including placement of the Content Partner name and logo. Content Partner will offer its services and products to Users through the GO Network-Wrapped Pages on substantially the same terms and conditions as it offers such services and products to visitors to the Content Partner Service.

b. Advertising. The GO Entities will be responsible for selling and serving all advertising on the GO Network-Wrapped Pages. The GO Entities will not place advertisements from Content Partner Competitors on the pages in the Virtual Domain; provided however that such restriction shall not apply to run-of-site (ROS) banner advertisements. Any advertising placements in the GO Wrapper will be of a size consistent with other advertising placements across GO Network. In addition, Content Partner acknowledges and agrees that the following shall not constitute a breach of this Section 4.3.b: (a) the GO.com search technology may search the sites of the Content Partner Competitors and (b) the GO

Entities may provide search-related products that may include results from the Content Partner Competitors on the Virtual Domain pages.

c. Counting Page Views. The GO Entities will count all page views on the Virtual Domain.

d. Distribution of Content Displayed on GO Network-Wrapped Pages. The GO Entities shall not have any rights pursuant to Section 4.2 to integrate, display or otherwise distribute Content which has been distributed by Content Partner to GO Network Users through the GO Network-Wrapped Pages simply as a result of Content Partner's distribution of such Content through the GO Network-Wrapped Pages.

4.4 Content Guidelines; Delivery of Content; Error Correction.

a. Content Guidelines. All Content will comply with the then current Content Guidelines and Advertising Guidelines for GO Network. The current forms of Content Guidelines and Advertising Guidelines are set forth in Appendices F-1 and F-2. The GO Entities shall have the right, but not the obligation, to remove, or direct Content Partner to remove, any Content, or any information or other material from any Content, which the GO Entities determine to be offensive, in poor taste, or otherwise objectionable or which would cause one of the GO Entities to be in violation of any agreements existing at the Effective Date with third parties (for example, exclusivity

agreements prohibiting the provision of credit card services), and Content Partner shall immediately comply with such request.

b. Delivery of Content. Content Partner will deliver to the GO Entities the Content to be included on GO Network in a digital format (such as HTML) or in another mutually agreeable electronic format, via modem or Internet access (e.g. Internet ftp or Internet e-mail). Content Partner agrees to certify that all deliveries hereunder were made electronically. The initial delivery of Content shall include all items listed on Appendix A and shall be made no later than March 31, 2000. Content Partner will provide additional Content elements and make updates to the Content available to the GO Entities, and the GO Entities will update the Content on GO Network, on a mutually agreed upon schedule and basis.

c. Error Correction. Content Partner shall promptly remedy and/or correct any material limitations or errors in the Content. Content Partner shall cooperate and assist the GO Entities by promptly answering questions and complaints regarding the Content. Each party shall promptly inform the other parties of any event or circumstance, and provide all information pertaining to such event or circumstance, related or arising from this Agreement which could reasonably lead to a claim or demand against the other parties by any third party.

4.5 Marketing Agreements.

a. Inclusion of Promotional Materials. Content Partner will permit the GO Entities, The Walt Disney Company or any of The Walt Disney Company's Affiliates to place promotional materials in at least 150,000 Content Partner customer packages per year. The GO Entities, The Walt Disney Company or The Walt Disney Company's Affiliates, as applicable, shall be responsible for providing such promotional materials. Content Partner will be responsible only for labor-related costs associated with including and shipping such promotional materials with the Content Partner customer packages. The content of such promotional materials and timing of inclusion shall be subjection to approval by Content Partner, which approval will not be unreasonably withheld.

b. Online Promotions. Content Partner and the Go Entities agree to create six online promotions, such as contests, sweepstakes or games, during the Initial Term. The details of the online promotions will be determined as part of the joint marketing plan described in Section 4.5.c below.

c. Marketing Plan. Within 75 days of the Effective Date, the GO Entities and Content Partner will jointly draft and agree upon a marketing and promotions program which may include, among other things:

i. Special Content Partner offers targeted to GO.com Users (other than TDSO customers) interested in pets.

ii. Special Content Partner offers targeted at TDSO customers.

iii. An opportunity for Content Partner to be an online distribution source for the purchase of pet-related Disney products, other than through The Disney Store (online or off-line).

iv. Opportunity for The Walt Disney Company to send pets.com: The Magazine to its customers. v. Web casts and web chats.

a. Coordination of Marketing Efforts. The GO Entities and Content Partner will coordinate and communicate direct marketing (e.g. email) efforts aimed at Content

Partner Users in order to avoid duplicate and spam communications; provided however that the foregoing excludes a party's direct marketing efforts to a User who has opted to receive direct communications from such party.

e. Other Marketing Discussions. The GO Entities and Content Partner agree to discuss the following additional promotional ideas:

[*]

f. Marketing and Promotions. All joint marketing and promotional activities shall be subject to final approval and mutual agreement of all parties involved, including, where applicable, TDSO and other GO.com entities or Affiliates. No party shall have any

obligation to enter into joint marketing and promotional activities except on terms and conditions expressly agreed to in writing by such party.

4.6 Exclusivity.

a. Restriction on Content Partner. Content Partner agrees not to enter into an agreement with any GO.com Competitor during the term of this Agreement except for Standard Distribution Deals unless mutually agreed to by the parties. Notwithstanding the foregoing; the GO Entities acknowledge that Content Partner has entered into an agreement with Blue Mountain Arts/Excite which will expire on September 30, 2000 which agreement will be deemed exempted from the restriction set forth in this Section 4.6.a. In addition, Content Partner may pursue an extension of such agreement on terms and conditions substantially similar to those of the current deal and excluding any provision which requires Content Partner to provide exclusive content to Blue Mountain Arts/Excite.

b. Restriction on the GO Entities.

The GO Entities agree not to enter into any strategic equity relationship (i.e., of a similar nature to the relationship among the parties described in this Agreement) with any Content Partner Competitor during the term of this Agreement. Notwithstanding the foregoing, the GO Entities may make open market purchases or other investments of any kind strictly for financial investment purposes (i.e., unrelated to a strategic relationship).

[*] CERTAIN CONFIDENTIAL INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SEC.

ii. The GO Entities will not include advertisements or branded (i.e. including attribution) content from Content Partner Competitors on the pages within the Animals/Pets Channel on Disney.com and the Pets Category on Family.com, or successor channels/online properties designated by the GO Entities; provided however that the foregoing exclusivity will not apply to: (i) run-of site advertisements from Content Partner Competitors or (ii) Content Partner Competitors to the extent related to sales of pet supplies or accessories with licensed animated characters, such as a Lion King cat bowl or a 101 Dalmatians dog bed. In addition, the following shall not constitute a breach of this Section 4.6.b.ii: (a) the GO.com search technology may search the sites of the Content Partner Competitors, (b) the GO Entities may provide search-related products that may include results from the Content Partner Competitors on pages within the Animal/Pets Channel on Disney.com and the Pets Category on Family.com, and (c) the Content Partner Competitors may be included in the Search Directory. As used herein, "Search Directory" means the general directory on the GO Portal which is currently

accessed through the tab "Search."

iii In the event the GO Entities or their Affiliates determine to make a significant product change or change of strategic or product focus, for example merging two or more of its online properties, which affects the Animals/Pets Channel on Disney.com and/or the Pets Category on Family.com, then the GO Entities' obligations under Section 4.6.b.ii above shall terminate with respect to the affected online property. The GO Entities and Content Partner will work together to make appropriate substitutions of online media placements and Content Partner will be entitled to receive a twenty-five percent (25%) discount on such substitutions of affected online media placements. The GO Entities will not be entitled to exercise its rights hereunder prior to three (3) months from the Effective Date nor later than June 1, 2001.

4.7 Technical Resources; Key Contacts; Reports.

a. Technical Resources. Content Partner will provide sufficient resources in order to implement Content and advertising placements by March 31, 2000.

b. Key Contacts. The GO Entities, on the one hand, and Content Partner, on the other hand, will each appoint a single point of contact to manage the relationship among the GO Entities and Content Partner and will identify key contacts in product development, merchandising, customer service and technical support to ensure that the GO Network-Wrapped Pages are working effectively. Content Partner shall further provide the GO Entities with a support contact to provide 24-hour emergency technical support. Until a party provides notice otherwise to the other parties in accordance with Section 16.6, the contacts shall be as follows:

<TABLE>
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GO Entities:	Content Partner:
Relationship Manager: Kari Allen	Relationship Manager: Jennifer Olsen
Telephone No.: (818) 623-3471	Telephone No.: (415) 343-1525
Email address: kari.allen@corp.go.com	Email address: jennifer@pets.com
Product Development Contact: name	Product Development Contact: Sheila Albright
Telephone No.:	Telephone No.: (415) 343-1537
Email address:	Email address: sheila@pets.com
Merchandising: name	Merchandising: John Benjamin
Telephone No.:	Telephone No.: (415) 343-1540
Email address:	Email address: johnb@pets.com

</TABLE>

<TABLE>
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Customer Service: name	Customer Service: Diane Hourany
Telephone No.:	Telephone No.: (415) 343-1538
Email address:	Email address: diane@pets.com

Technical Support: name	Technical Support: Paul Melmon
Telephone No.:	Telephone No.: (415) 343-1549
Email address:	Email address: paulm@pets.com
Emergency Technical Support Contact (24) hours):	Emergency Technical Support Contact (24 hours): Bayard Carlin
Telephone No.:	Telephone No.: (415) 519-7610 (40 character limit)
Email address:	Email address: emergency@pets.com

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c. Reports. Content Partner will provide monthly traffic reports to the GO Entities containing the number of visitors to the GO Network-Wrapped Pages, the number of Content Partner Users and such other information as the GO Entities reasonably request related to Users and usage of the GO Network-Wrapped Pages. Reports hereunder will be due within ten (10) business days after the end of the month to which such report relates.

4.8 Ownership of Intellectual Property. For content or promotions developed by Content Partner solely for distribution, display or other use on GO Network or by the GO Entities, which has not been already incorporated into the Content Partner Service, the GO Entities shall own all design, technology, code and other materials produced in relation to this Agreement. Except as set forth herein, for all content or promotions not created by Content Partner solely for distribution, display or other use on GO Network or by the GO Entities, the party creating such content or promotion shall own such content or promotion, including all related intellectual property rights. If content or promotions are jointly created by Content Partner and one or more of the GO Entities, then the GO Entities will own such content or promotion, including all related intellectual property right; provided however that the GO Entities may not license or otherwise provide such content or promotions to Content Partner Competitors during the term of this Agreement. In clarification and not in modification of the foregoing, each party shall retain all rights for copyrighted material and Trademarks and the GO Entities shall not have any ownership rights to the Pets.com, Inc. Sock Puppet and Content Partner will not have any ownership rights to any character owned or controlled by The Walt Disney Company during or after the term of this Agreement.

4.9 Linking. Content Partner agrees not to override browser back button functionality to prevent Users who link to the Content Partner Service from GO Network from returning to GO Network.

4.10 Costs. Each party will be responsible for its respective telecommunications charges with respect to the provision of respective portions of the Content to Infoseek and to Users.

ARTICLE 5 SHOPPING/E-COMMERCE

5.1 GO Network Commerce Areas. The following shopping areas currently exist on the GO Network Portal, Family.com and Disney.com: GO Shopping (currently at shop.go.com), FamilySHOP, and TDSO.

5.2 Content Partner Placement in GO Network Commerce Areas. Content Partner will have placement in TDSO (if and as agreed as part of the marketing agreements described in Section 4.5) and FamilySHOP, and, following the expiration or termination of the

Petsmart Agreement, on GO Shopping. Content Partner Content will be included in the rotation for the

"Deal of the Week" feature of the FamilySHOP area on the Family.com home page or other comparable feature. Except as expressly set forth herein, placement of promotions on GO Network shall be at the discretion of the GO Entities. Any placements of Content in GO Network Commerce Areas will be subject to the standard terms and conditions, if any, governing content placement in such Commerce Areas.

5.3 Commerce Transactions/ Content. Content Partner placement of Content on GO Network commerce areas, including placement on FamilySHOP and other BVIG commerce areas, will be on terms and conditions mutually agreed; provided however that the following provision shall govern Content Placement on FamilySHOP and other BVIG commerce areas:

a. Order Fulfillment. Content Partner shall be solely responsible for (i) processing and fulfilling all orders made through the Content Partner Service or the GO Network-Wrapped Pages, (ii) all accounting with respect to such orders, and (c) all customer service and support with respect to such orders, purchases and returns. Content Partner shall provide all of the foregoing services at the highest levels of quality consistent with the BVIG name and the Walt Disney Company reputation. Content Partner acknowledges and agrees that it is solely responsible for the security of any transactions initiated within the Content Partner Service.

ARTICLE 6 LICENSE

6.1 Grant of License by Content Partner. Subject to the terms and conditions of this Agreement, Content Partner hereby grants to the GO Entities and their respective Affiliates, a fully-paid, worldwide (to the extent necessary to implement this Agreement), limited, non-exclusive, non-transferable right and license, without right to sub-license, to use, reproduce, incorporate, integrate and distribute the Content on GO Network and a license and right to use Content Partner's trade names, trade dress, and trademarks as reasonably necessary with respect to the display and use of the Content on GO Network in accordance with the terms of this Agreement during the term of this Agreement.

6.2 Grant of License by Infoseek. Subject to the terms and conditions of this Agreement, Infoseek hereby grants to Content Partner a fully-paid, worldwide (to the extent necessary to implement this Agreement) limited, non-exclusive, non-transferable right and license, without right to sub-license, to use, reproduce, incorporate, integrate and distribute the GO Wrapper and related GO Network Trademarks solely on the GO Network Wrapped Pages in accordance with the terms of this Agreement or as otherwise expressly approved in writing by Infoseek during the term of this Agreement.

6.3 Acknowledgment by GO Entities. The GO Entities acknowledge that except as expressly set forth in Section 6.1 above, they may not use the Content Partner name or other Trademarks owned by Content Partner without Content Partner's prior written permission.

6.4 Acknowledgment by Content Partner. Content Partner acknowledges that, except as expressly set forth in Appendix G, it may not use The Walt Disney Company name or, except as expressly set forth in Section 6.2 above or Appendix G, Trademarks owned by

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The Walt Disney Company or the GO Entities, without the prior written permission of The Walt Disney Company or the GO Entities, as applicable.

ARTICLE 7 USER DATA

7.1 User Registration.

a. Privacy Policy. Content Partner shall ensure that its privacy policy applicable to the Content Partner Service, to the extent applicable to its performance under this Agreement, is substantially consistent with the privacy policy of GO Network, as may be changed from time to time, including, without limitation, including a mechanism that allows Users to opt out of sharing of User data with third parties.

b. User Registration Experience. The User registration experience that shall be implemented pursuant to this Agreement shall be as follows:

i. "Global Registration". An unregistered User on GO Network or on a GO Network-Wrapped Page hosted by Content Partner who encounters Content Partner functionality or Content that provides the User with an opportunity to register will be presented with a standard series of GO Network user registration screens, the first of which explains that this is a simultaneous registration for Content Partner and GO Network. The User then has the option to continue to register or to click back to his/her original starting point. If the User responds "yes", then the User's data will go simultaneously to Content Partner and the GO Entities. If the User elects to opt-in to simultaneous registration, the User shall only be required to execute "one click" to transfer the registration data to Content Partner ("Global Registration"). It is anticipated that Global Registration will be required only for certain joint promotions.

ii. "GO-Tagged Users". A User originating from GO Network and Linking to the Content Partner Service shall be identified in the Content Partner User database as originating from GO Network and will be tagged as a "GO-Tagged User." Content Partner represents that it has the technology to identify GO-Tagged Users.

7.2 Ownership of User Data

a. Content Partner and the GO Entities shall jointly own all right, title and interest in all User data generated on GO Network-Wrapped Pages hosted by Content Partner and User data for GO-Tagged Users ("Content Partner Users") who register on the Content Partner Service. In clarification of the foregoing, the parties will not jointly own User data for GO-Tagged Users which data is generated on pages in GO Network not hosted by Content Partner. Content Partner shall make available to the GO Entities, via a method and timing to be mutually agreed upon, all first and last names and email addresses from

each such Content Partner User provided that such User has not opted out of sharing his/her data with third parties and provided such disclosure is not prohibited by law or regulation. In addition, except as prohibited by law and provided the User has not opted out of sharing his/her data, Content Partner may, to the extent not in violation of Content Partner's privacy policy, provide to the GO Entities all available data concerning Users who access the Content Partner Service and/or the Content from GO Network, concerning products and/or services purchased by such Users, survey and promotion responses, and other demographic information concerning such Users. The

parties agree that they will not sell or share Content Partner User data during the term of the Agreement or thereafter; provided however that a party may disclose such aggregate information to third parties as it deems appropriate in connection with its operations. Aggregate information described hereunder will include only such statistical information which relates to a broad category of Content Partner Users such as gender, age range or level of education and which is generic enough so as not to identify particular Users.

b. The GO Entities shall own all right, title and interest in and to and the exclusive right to use all data concerning Users which data is generated on all pages of GO Network hosted by the GO Entities.

c. Content Partner shall own all right, title and interest in and to and the exclusive right to use all data concerning Users which data is generated on all pages of the Content Partner Service, except for jointly-owned User data as specifically described in Section 7.2.a above.

7.3 Use of User Data.

a. Content Partner shall not specifically target or invite Users co-owned with the GO Entities to visit a GO.com Competitor at any time during the term of this Agreement.

b. Disney.com, mrshowbiz.com and Family.com will not specifically target or invite individual Users co-owned with Content Partner via email to visit a Content Partner Competitor at any time during the term of this Agreement; provided however, that Infoseek may take such actions as it reasonably deems necessary or appropriate to comply with its obligations under the Petsmart Agreement.

ARTICLE 8 FEES AND PAYMENTS

8.1 Payments. Content Partner will make payments to Infoseek in the amounts and at the times specified in Appendix D-3. Content Partner will be responsible for the proper payment of all taxes, including sales, excise and value added taxes, which may be levied in connection therewith, exclusive of taxes based upon Infoseek's net income.

8.2 Wire Transfers. All payments made to Infoseek hereunder shall be made via wire transfer in accordance with the following

instructions, or such other instructions as may be provided to Content Partner in writing by an authorized representative of Infoseek:

Wire transfer, EFT/ACH Payment remittance instructions:
Bank of America
San Francisco, California
ABA Number: 121000358
Account Name: Infoseek Corporation
Account Number: 12335-30390
Swift ID: BOFAUS6S

ARTICLE 9 CONFIDENTIAL INFORMATION

9.1 Disclosures. The GO Entities, on the one hand, or Content Partner, on the other hand, may disclose to the other (the "Receiving Party") certain information that the disclosing party deems to be confidential and proprietary, including technical and other business information of the disclosing party that is not generally available to the public ("Confidential Information"). Confidential Information shall include the terms and conditions of this Agreement.

9.2 Obligations of Receiving Party. The Receiving Party agrees to use Confidential Information solely in conjunction with its performance under this Agreement and not to disclose or otherwise use such information in any fashion. The Receiving Party, however, will not be required to keep confidential such Confidential Information that becomes generally available without fault on its part; is already rightfully in the Receiving Party's possession without restriction prior to its receipt from the disclosing party; is independently developed by the Receiving Party; is rightfully obtained by the Receiving Party from third parties without restriction; or is otherwise required to be disclosed by law or judicial process. In the event disclosure of Confidential Information, including the terms and conditions of this Agreement, is required by law or judicial process, the Receiving Party shall promptly notify the disclosing party of such requirement and provide the disclosing party with a timely and reasonable opportunity to review the proposed disclosure in advance and will cooperate with the disclosing party to limit the scope of disclosure or seek confidential treatment of material required to be disclosed, if confidential treatment is available.

9.3 Limitations. Unless required by law or to assert its rights under this Agreement, and except for disclosure on a "need to know basis" to its own employees, and its legal, investment, financial and other professional advisers on a confidential basis, each party agrees not to disclose the terms of this Agreement or matters related thereto without the prior written consent of the other party.

ARTICLE 10 REPRESENTATIONS AND WARRANTIES

10.1 Content Partner. Content Partner represents, warrants and covenants to the GO Entities and their respective Affiliates that it is the owner of the Content and/or has the right to grant the rights hereunder. Content Partner represents, warrants and covenants to the GO Entities and their respective Affiliates that it holds the necessary rights to permit the use of the Content by the GO Entities and their respective Affiliates for the purpose of this Agreement; that its entry into this Agreement does not violate any agreement with any other party;

that its performance under this Agreement will conform to applicable laws and government rules and regulations; and that, to the best of its knowledge after reasonable inquiry, the Content is true, accurate and does not contain material omissions. Content Partner further represents, warrants, and covenants to the GO Entities and their respective Affiliates that the use, reproduction, distribution, transmission, or display of the Content and Content Partner's Trademarks, Content Partner's collection and use of Content Partner User Data and the sale of products and services by Content Partner as contemplated in this Agreement will not (a) violate any laws or any rights of any third parties, including, but not limited to, such violations as infringement or misappropriation of any copyright, patent, trademark, trade dress, trade secret, music, image, or other proprietary or property right, false advertising, unfair competition, defamation, invasion of privacy or publicity rights, moral or otherwise, or rights of celebrity, violation of any antidiscrimination law or regulation, or any other right of any person or entity; or (b) contain any material that is: unlawful, harmful, fraudulent, threatening, abusive, harassing, defamatory, vulgar, obscene, profane, hateful, racially, or ethnically objectionable, including, without limitation, any material that supports, promotes or otherwise encourages wrongful conduct that would constitute a criminal offense, give rise to civil liability, or otherwise violate any applicable local, state, national or international laws.

10.2 Year 2000 - Content Partner. Content Partner represents, warrants and covenants that, to the best of its knowledge after reasonable inquiry, the systems and technology utilized to operate the Content Partner Service (including, without limitation, order fulfillment systems relating to products sold by Content Partner, if any) are compliant with the following Year 2000 requirements: (a) the occurrence in or use by such systems of dates before, on or after

January 1, 2000 will not adversely affect the performance of such systems with respect to date-dependent data, computations, output, or other functions (including, without limitations, calculating, comparing and sequencing); and (b) such systems will not abnormally end or provide invalid or incorrect results as a result of date dependent data.

10.3 BVIG. BVIG represents, warrants and covenants to Content Partner that its entry into this Agreement does not violate any agreement with any other party, that it has the full right, power and authority to enter into this Agreement and to perform the acts required of it hereunder, and that BVIG Content will not (a) violate any laws or any rights of any third parties, including, but not limited to, such violations as infringement or misappropriation of any copyright, patent, trademark, trade dress, trade secret, music, image, or other proprietary or property right, false advertising, unfair competition, defamation, invasion of privacy or publicity rights, moral or otherwise, or rights of celebrity, violation of any antidiscrimination law or regulation, or any other right of any person or entity; or (b) contain any material that is: unlawful, harmful, fraudulent, threatening, abusive, harassing, defamatory, vulgar, obscene, profane, hateful, racially, or ethnically objectionable, including, without limitation, any material that supports, promotes or otherwise encourages wrongful conduct that would constitute a criminal offense, give rise to civil liability, or otherwise violate any applicable local, state, national or international laws. As used herein,

"BVIG Content" means any content on the Disney.com and Family.com pages where Content is distributed that has been authored and created solely by BVIG.

10.4 Infoseek. Except with respect to the litigation involving Goto.com which has previously been disclosed to Content Partner, Infoseek represents, warrants and covenants to Content Partner that its entry into this Agreement does not violate any agreement with any other party, that it has the full right, power and authority to enter into this Agreement and to perform the acts required of it hereunder, and that Infoseek Content will not (a) violate any laws or any rights of any third parties, including, but not limited to, such violations as infringement or misappropriation of any copyright, patent, trademark, trade dress, trade secret, music, image, or other proprietary or property right, false advertising, unfair competition, defamation, invasion of privacy or publicity rights, moral or otherwise, or rights of celebrity, violation of any antidiscrimination law or regulation, or any other right of any person or entity; or (b) contain any material that is: unlawful, harmful, fraudulent, threatening, abusive, harassing, defamatory, vulgar, obscene, profane, hateful, racially, or ethnically objectionable, including, without limitation, any material that supports, promotes or otherwise encourages wrongful conduct that would constitute a criminal offense, give rise to civil liability, or otherwise violate any applicable local, state, national or international laws. As used herein, "Infoseek Content" means any content on the GO Wrapper that has been authored and created solely by Infoseek.

ARTICLE 11 LIMITATION OF LIABILITY; DISCLAIMER

11.1 NO CONSEQUENTIAL DAMAGES. EXCEPT FOR A PARTY'S LIABILITY FOR THIRD PARTY CLAIMS AS SPECIFIED IN ARTICLE 15 BELOW, OR A PARTY'S BREACH OF ARTICLE 9, OR DAMAGES ARISING FROM PERSONAL INJURY, IN NO EVENT SHALL A PARTY HERETO OR ITS AFFILIATES BE LIABLE TO ANOTHER PARTY HERETO OR ITS AFFILIATES FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR EXEMPLARY DAMAGES OF ANY NATURE, EVEN IF SUCH PARTY SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING SHALL APPLY REGARDLESS OF THE NEGLIGENCE OR OTHER FAULT OF A PARTY HERETO AND REGARDLESS OF WHETHER SUCH LIABILITY SOUNDS IN CONTRACT, NEGLIGENCE, TORT, STRICT LIABILITY OR ANY OTHER THEORY OF LIABILITY.

11.2 DISCLAIMER. EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE 10, NO PARTY HERETO MAKES ANY, AND EACH PARTY ACKNOWLEDGES THAT EACH OTHER PARTY HAS NOT MADE ANY, AND HEREBY SPECIFICALLY DISCLAIMS ANY, REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING GO NETWORK, THE CONTENT PARTNER SERVICE, THE CONTENT, OR THE OPERATION OF THE CONTENT ON GO NETWORK, INCLUDING, BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 12 TERM AND TERMINATION

12.1 Term. This Agreement shall be effective on the Effective Date and shall continue in force for an initial term ending three (3) years from the Effective Date (the "Initial Term"). Upon prior mutual written agreement, the term of this Agreement may be renewed at the end of the Initial Term and each anniversary date thereafter for one (1) year renewal terms.

12.2 Termination. This Agreement may be terminated as follows:

a. For Breach. Content Partner, on the one hand, and the GO Entities, on the other hand, will have the right to terminate this Agreement upon thirty (30) days prior written notice if a GO Entity, on one hand, or Content Partner, on the other hand, is in default of any obligation herein, including failure of Content Partner to provide the Content, and such breach is incapable of being cured within thirty (30) days, or if such breach is capable of cure within thirty (30) days, such breach is not cured within thirty (30) days (or fourteen (14) days with respect to any default in any payment obligation) after receipt of written notice of such default from the non-defaulting party/parties. The non-defaulting party/parties may authorize an additional cure period in its/their sole discretion.

b. Performance.

i. By Content Partner. If the Content Partner Service or GO Network-Wrapped Pages hosted by Content Partner do not meet the following performance standards (which shall be measured by the GO Entities), and such failure is not due to force majeure events or the failure of any third party services, hardware, software or telecommunications systems not controlled by Content Partner, one or both of the GO Entities shall notify the Content Partner in writing and Content Partner shall cure the breach within 24 hours. In the event of more than 3 performance failures pursuant to this Section 12.2.b.i in any 30 day period, the GO Entities shall have the right to terminate, without providing an opportunity to cure. Termination of this Agreement shall be the GO Entities' sole remedy for such performance failures. The performance standards are as follows:

A. Uptime/Downtime. Excluding maintenance downtime, the Content Partner Service and GO Network-Wrapped Pages hosted by Content Partner will have a minimum uptime operation of 99.4 percent (downtime of 0.6 percent) measured quarterly. Downtime shall mean any 30 second interval in which the Content Partner Service is not able to process queries.

B. Unscheduled Downtime Limits. The Content Partner Service and GO Network-Wrapped Pages hosted by Content Partner will not have aggregate unscheduled downtime exceeding 15 hours per quarter.

C. Maintenance Downtime. The Content Partner Service and GO Network-Wrapped Pages hosted by Content Partner may be disabled for up to 3 hours per month for maintenance. All maintenance downtimes will occur between 9:00 p.m. and 6:00 a.m. Pacific time (Standard or Daylight as applicable).

ii. By the GO Entities. If the pages in the GO Network hosted by Infoseek or BVIG which prominently display Content (the "GO-Hosted Pages") do not meet the following performance standards and such failure is not due to force majeure events or the failure of any third party services, hardware, software or telecommunications systems not controlled by the GO Entity hosting the GO-Hosted Pages, Content Partner notify the GO Entity hosting the GO-Hosted Pages in writing and such GO Entity shall cure the breach within 24 hours. In the event of more than 3 performance failures pursuant to this Section 12.2.b.ii in any 30 day period, Content Partner shall have the right to terminate, without providing an opportunity to cure. Termination of this Agreement shall be Content Partner's sole remedy for such performance failures. The performance standards are as follows:

A. Uptime/Downtime. Excluding maintenance downtime, the GO-Hosted Pages will have a minimum uptime operation of 99.4 percent (downtime of 0.6 percent) measured quarterly. Downtime shall mean any 30 second interval in which the GO-Hosted Pages are not able to process queries.

B. Unscheduled Downtime Limits. The GO-Hosted Pages will not have any aggregate unscheduled downtime exceeding 15 hours per quarter.

C. Maintenance Downtime. The GO-Hosted Pages may be disabled for up to 3 hours per month for maintenance.

12.3 Effect of Termination.

a. Transition Period. At least ninety (90) days prior to termination, the parties will effect the following transition process:

i. The parties will inventory all material online Content being exchanged and will jointly draft a Content transition plan for material Content Partner Content that will not remain on the GO Network beyond the termination of the Agreement.

ii. The parties will inventory any products and promotions that have been jointly developed and (A) agree upon a termination date by which such products can no longer be sold and promotions can no longer run, respectively.

iii. Either party holding any surplus product or promotional inventory bearing Trademarks, or other copyrighted material of the other parties will destroy such product or promotional inventory within 30 days of termination of this Agreement unless mutually agreed.

iv. Content Partner will make one final transfer of all the names and email addresses of Content Partner Users (in accordance with and as described in Section 7.2).

a. Survival. The following provisions of this Agreement shall survive the termination or expiration of this Agreement: Article 1, Article 2, Section 4.8, Section 7.2.a

(first sentence and last two sentences) and Section 7.2.b, Article 8: Fees and Payments (as to fees accrued prior to termination or expiration), Article 9: Confidential Information, Article 10: Representations and Warranties (as to claims arising prior to termination or expiration or claims based on events arising prior to termination or expiration), Article 11: Limitation of Liability; Disclaimer, Section 12.3: Term and Termination - Effect of Termination, Article 14: Publicity (other than first two sentences), Article 15: Indemnification and Article 16: General Terms and Conditions.

b. Return of Materials. Upon the termination or expiration of this Agreement, each party shall (i) promptly return all Confidential Information, and other information, documents, manuals and other materials belonging to the other parties, except as may be otherwise provided in this Agreement; and (ii) promptly remove the other parties' content, branding, links, and any other material provided under this Agreement.

ARTICLE 13 FORCE MAJEURE

No party hereto will be liable for delay or default in the performance of its obligations under this Agreement (other than for non-payment) if such delay or default is caused by conditions beyond its reasonable control, including, but not limited to, fire, flood, accident, earthquakes, telecommunications line failures, storm, acts of war, riot, government interference, strikes and/or walk-outs. In the event of a force majeure event which lasts longer than thirty (30) days, a party not experiencing the force majeure event may terminate this Agreement upon prior written notice to the other parties.

ARTICLE 14 PUBLICITY

The parties will draft a joint press release to announce the execution of this Agreement to be issued at a mutually agreed upon time. The GO Entities will use commercially reasonable efforts to approve such joint press release for issuance within one week of the Effective Date. Except as expressly set forth herein or as described on Appendix G, Content Partner shall not issue or permit the issuance of any press release or publicity regarding or grant any interview, or make any public statements whatsoever concerning, this Agreement, GO Network or the GO Entities (or their respective Affiliates) without prior coordination with and written approval from the GO Entities, which approval may be granted or withheld in such GO Entity's sole discretion. Except as expressly set forth herein, the GO Entities shall not issue or permit the issuance of any press releases or publicity regarding, or grant any interview, or make any public statements whatsoever concerning this Agreement or Content Partner without prior coordination with and written approval from Content Partner, which approval may be granted or withheld in Content Partner's sole discretion. All Content Partner endorsements and public statements concerning this Agreement must receive the GO Entities' prior review and approval; provided however that all items attached hereto as Appendix G shall be deemed approved. Notwithstanding the foregoing, Content Partner shall not state or imply, in advertisements, writings, or otherwise, that a GO Entity or its respective Affiliates endorse Content Partner's products or services or

any other product or service.

ARTICLE 15 INDEMNIFICATION

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15.1 Content Partner. Content Partner agrees to defend, indemnify and hold the GO Entities and their respective officers, directors, agents, employees, and Affiliates harmless from and against any and all claims, demands, liabilities, actions, judgments, and expenses, including reasonable fees and expenses of attorneys, paralegals and other professionals, arising out of or related to (i) any breach or alleged breach of any of Content Partner's representations and warranties set forth in Section 10.1; (ii) any injury to person or property caused by any products or services sold by Content Partner, or any User's use of or reliance on the Content; (iii) any injury to person or property caused by any products or services sold through the Content; (iv) any other claim with respect to Content Partner, the Content, or products or services sold by or through Content Partner or its agents, or (v) Content Partner's sales or marketing practices. Content Partner shall bear full responsibility for the defense (including any settlements) of any such claim; provided, however, that (a) Content Partner shall keep the GO Entities (as applicable) informed of, and consult with the GO Entities (as applicable) in connection with, the progress of such litigation or settlement; and (b) Content Partner shall not have any right, without the written consent of the Go Entities (as applicable), to settle any such claim if such settlement arises from or is part of any criminal action, suit or proceeding or contains a stipulation to or admission or acknowledgment of, any liability or wrongdoing (whether in contract, tort or otherwise) on the part of the GO Entities (as applicable) or their respective Affiliates or otherwise requires the GO Entities (as applicable) or their respective Affiliates to take or refrain from taking any material action (such as the payment of fees).

15.2 BVIG. BVIG agrees to defend, indemnify and hold Content Partner and its officers, directors, agents and employees harmless from and against any and all claims, demands, liabilities, actions, judgments, and expenses, including reasonable fees and expenses of attorneys, paralegals and other professionals, arising out of or related to any breach or alleged breach of any of BVIG's representations and warranties set forth in Section 10.3. BVIG shall bear full responsibility for the defense (including any settlements) of any such claim; provided, however, that (a) BVIG shall keep Content Partner informed of, and consult with Content Partner in connection with, the progress of such litigation or settlement; and (b) BVIG shall not have any right, without Content Partner's written consent, to settle any such claim if such settlement arises from or is part of any criminal action, suit or proceeding or contains a stipulation to or admission or acknowledgment of, any liability or wrongdoing (whether in contract, tort or otherwise) on the part of Content Provider or otherwise requires Content Partner to take or refrain from taking any material action (such as the payment of fees).

15.3 Infoseek. Infoseek agrees to defend, indemnify and hold Content Partner and its officers, directors, agents and employees harmless from and against any and all claims, demands, liabilities, actions, judgments, and expenses, including reasonable fees and expenses of attorneys, paralegals and other professionals, arising out of or related to any breach or alleged breach of any of Infoseek's representations and warranties set forth in Section 10.4. Infoseek shall bear full

responsibility for the defense (including any settlements) of any such claim; provided, however, that (a) Infoseek shall keep Content Partner informed of, and consult with Content Partner in connection with, the progress of such litigation or settlement; and (b) Infoseek shall not have any right, without Content Partner's written consent, to settle any such claim if such settlement arises from or is part of any criminal action, suit or proceeding or contains a stipulation to or admission or acknowledgment of, any liability or wrongdoing (whether in contract, tort or otherwise) on the part of Content Provider or otherwise requires Content Partner to take or refrain from taking any material action (such as the payment of fees).

ARTICLE 16 GENERAL TERMS AND CONDITIONS

16.1 Independent Contractors. The parties to this Agreement are independent contractors. No party hereto is an agent, representative or partner of the other parties hereto. No party hereto shall have any right, power or authority to enter into any agreement for or on behalf of, or to incur any obligation or liability for, or to otherwise bind, the other parties hereto. This Agreement shall not be interpreted or construed to create an association, joint venture, co-ownership, co-authorship, or partnership among the parties or to impose any partnership obligation or liability upon any other party hereto.

16.2 No Assignment. No party hereto shall assign, sublicense or otherwise transfer (voluntarily, by operation of law, through a change of control or otherwise) this Agreement or any right, interest or benefit under this Agreement, without the prior written consent of the other parties hereto; provided, however, that a party hereto may assign this Agreement to any entity that acquires all or substantially all of the assets or shares of such party; provided that the acquiring entity is not (i) a GO.com Competitor in the case of the acquisition of Content Partner or (ii) a Content Partner Competitor in the case of the acquisition of one or both of the GO Entities. Any attempted assignment, sublicense or transfer by a party in derogation hereof shall be null and void. Subject to the foregoing, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

16.3 No Modifications. No change, amendment or modification of any provision of this Agreement or waiver of any of its terms will be valid unless set forth in writing and signed by the party to be bound thereby.

16.4 Governing Law. This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of California. Each party hereto irrevocably consents to the exclusive jurisdiction of any state or federal court for or within Santa Clara County, California over any action or proceeding arising out of or related to this Agreement, and waives any objection to venue or inconvenience of the forum in any such court.

16.5 No Waiver. The failure of a party to insist upon or enforce strict performance by another party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon any such provision or right in that or any other instance; rather the same shall be and remain in full force and effect.

16.6 Notices. Any notice, approval, request, authorization, direction or other communication under this Agreement shall be given in writing, will reference this Agreement, and shall be deemed to have been delivered and given (a) when delivered personally; (b) three (3) business days after having been sent by registered or certified U.S. mail, return receipt requested, postage and charges prepaid; or (c) one (1) business day after deposit with a commercial overnight courier, with written verification of receipt. All communications will be sent to the addresses set forth below or to such other address as may be designated by a party by giving written notice to the other parties pursuant to this Section 16.6.

If to BVIG:	If to Content Partner:
Buena Vista Internet Group	Pets.com, Inc.
500 South Buena Vista Street	435 Brannan Street
Burbank, CA 91521-0607	San Francisco, CA 94107
Attention: Legal Department	Attention: President
Tel: (818) 553-6006	Tel: (415) 222-9999

If to Infoseek:
Infoseek Corporation

1399 Moffett Park Drive
Sunnyvale, CA 94089-1134
Attention: Legal Department
Tel: (408) 543-6000

16.7 Entire Agreement. This Agreement and the Appendices attached hereto and incorporated herein by reference constitutes the entire agreement between the parties and supersede any and all prior agreements or understandings between the parties with respect to the subject matter hereof. No party hereto shall be bound by, and each party specifically objects to, any term, condition or other provision or other condition which is different from or in addition to the provisions of this Agreement (whether or not it would materially alter this Agreement) and which is proffered by another party hereto in any purchase order, correspondence or other document, unless the party to be bound thereby specifically agrees to such provision in writing.

16.8 Headings/Construction. The headings used in this Agreement are for convenience only and are not to be construed to have legal significance. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or if any such provision is held invalid by a court with jurisdiction over the parties to this Agreement, such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and the remainder of this Agreement shall remain in full force and effect.

16.9 Counterparts; Facsimile Signatures. This Agreement may be executed in counterparts which taken together shall be regarded as one and the same Agreement. A party's facsimile signature will be deemed a binding acceptance of this Agreement by such party.

BUENA VISTA INTERNET GROUP

By: /s/ Mort Marcus
Authorized Signature

Print Name: Mort Marcus

Title:

Date:

PETS.COM, INC.

By: /s/ Paul Manca
Authorized Signature

Print Name: Paul Manca

Title: CFO

Date: 1/17/00

INFOSEEK CORPORATION

By: /s/ Mort Marcus
Authorized Signature

Print Name: Mort Marcus

Title:

Date:

APPENDIX A

CONTENT

"Content" shall include but not be limited to:

- Dog and cat related articles mutually agreed upon by Content Partner and Disney.com
- Content Partner searchable database of articles mutually agreed upon by Content Partner and Disney.com
- Content Partner community message boards (moderated prior to delivery to Disney.com)

As mutually agreed, the GO Entities and Content Partner may also share other Content and tools, including but not limited to: chat, e-mail, user reviews, live broadcasts and web casts.

Content Partner will grant the GO Entities with access to a significant portion of the content from the Content Partner Service in a mutually agreeable delivery format and timeframe. Use of such content by the GO Entities will be subject to Section 6.1.

APPENDIX C

ABC MEDIA RIGHTS

Terms of ABC Media Rights. For purposes of this Agreement, "ABC Media Rights" shall mean the right to place advertising on ABC, Inc. broadcast properties in an aggregate amount of Twelve Million Three Hundred Forty Thousand Two Hundred Six Dollars and Forty-Five Cents ($12,340,206.45) over the period which begins on the Effective Date and ends three (3) years later, subject to the terms and conditions set forth in this Agreement and the Standard Terms and Conditions for ABC Television Network Sponsorship Contracts and any other standard advertising terms and conditions used by a particular broadcast property ("ABC Standard Terms").

a. Content Partner acknowledges that there are standard integration charges on the ABC network for every unit that airs regardless of commercial length. Standard integration charges are currently $470/spot during prime time and $235/spot in other day parts. ABC affiliates may have similar charges. Integration charges are subject to change.

b. The GO Entities will use commercially reasonable efforts to work with Content Partner and ABC to optimize Content Partner's reach and frequency to [*] ages [*] with [*] ages [*].

c. Content Partner acknowledges that the GO Entities may not purchase media for Content Partner further out than one year in advance. Content Partner acknowledges and understands that most ABC, Inc. properties sell their product on a broadcast year or a calendar year basis so Content Partner may be limited in the time frames within which it may obtain advertising. For example, Content Partner may not be able to obtain advertising from most divisions for January 2001 in March 2000 even though such dates are less than one year apart.

d. Content Partner's use of the ABC Media Rights shall be subject to availability of inventory. In addition, Content Partner may not exercise such rights for greater than $5 million worth of media value in any given quarter nor less than $2 million worth of media value in any given year during the Initial Term.

e. Content Partner will be charged marketplace rates when exercising its ABC Media Rights. The GO Entities will use reasonable best efforts to obtain marketplace rates at least as favorable as those given to third parties making similar media purchases.

* CERTAIN CONFIDENTIAL INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SEC.

APPENDIX D

FORMS OF ADVERTISING AGREEMENT AND
ADVERTISING INSERTION ORDER AND
SCHEDULE OF ADVERTISING FEES

D-1: FORM OF ADVERTISING AGREEMENT

Advertising Placement Standards
- All ad content must comply with Buena Vista Internet Group's (BVIG)

"Guidelines for Advertising". Copies may be obtained from your sales representative.
- BVIG must review all ad content prior to acceptance and may accept or reject such content at its sole discretion.

Submission of Advertising Insertion Orders and Ad Content
- All requests for ad and sponsorship placements must be submitted to BVIG by fax.
- All orders must be received no later than five (5) working days prior to the first date in the requested ad flight.
- Any Insertion Order involving third-party ad serving and/or custom technology must be received by BVIG no later than ten (10) working days prior to the first date in the requested ad flight.
- All ad content must be received by BVIG no later than the due date in the Insertion Order or, if no date is specified, five (5) working days prior to the start of the ad flight.
- All Insertion Orders and ad content are to be properly labeled and submitted to:

Ad Sales Operations Manager
Buena Vista Internet Group
19 East 34th Street, 6th Floor
New York, NY 10016
ads@disneyonline.com
Ph: (212) 448-4815
Fax: (212) 448-4848

- IN THE EVENT THAT NEW AND/OR UPDATED AD CONTENT IS NOT RECEIVED BY BVIG PRIOR TO THE DUE DATE IN THE APPLICABLE INSERTION ORDER, BVIG MAY RUN PREVIOUS AD MATERIAL IN ORDER TO MEET ITS IMPRESSION DELIVERY OBLIGATIONS. ALL NEW AND/OR UPDATED AD CONTENT IS SUBJECT TO THE SAME TERMS AND CONDITIONS AS THE PREVIOUS AD CONTENT.

Order Confirmation/Acceptance

- Insertion Order acceptance is subject to ad space availability at the time of receipt.
- BVIG cannot guarantee an on-time start for an ad flight where the Insertion Order was received past the Insertion Order closing date for the desired ad flight period or where the ad content is received past its due date. If the Insertion Order or ad content is late, BVIG may, at its sole discretion, reduce the size of the impression buy, shorten or extend the term of the ad flight, and/or postpone or cancel the Insertion Order without liability.
- Insertion Order acceptance is subject to credit approval. In the event that Advertiser lacks an adequate credit history, there may be a delay in the order acceptance process and the start of the ad flight.
- BVIG will issue Advertiser a fax confirmation of each Insertion Order (which shall be a copy of the Insertion Order initialed by BVIG authorized personnel) no later than one (1) working day after receipt of the order. Advertiser shall initial and date the confirmation notice. Regardless, if Advertiser does not object to the confirmation notice within two (2) working days after receipt, the confirmation notice shall be deemed to have been accepted as the final Insertion Order of record. The confirmation notice shall be sent to both Advertiser and its designated agency, if any.
- BVIG will use commercially reasonable best efforts to deliver the requested number of ad impressions in the agreed- upon date range. BVIG shall determine actual ad placements and rotations in its sole discretion but shall use commercially reasonable best efforts to spread ad buy impression volumes evenly across the course of the ordered ad flights.
- There will be no refund for undelivered ad impressions at the end of an ad flight. If the requested number of ad impressions has not been delivered in the agreed-upon date range (as modified for late ad content delivery), BVIG shall deliver the balance beyond the end of the ad flight until the ordered total is delivered. There will be no additional charge to Advertiser for such delivery.

PRODUCTION REQUIREMENTS

- All ad content must comply with BVIG's Advertising Technical Specifications, if ad banners, or with the technical requirements described in the Sponsorship Production Request and Sponsorship Terms, if a sponsorship. Copies are available

from your sales representative.
- Any costs incurred by BVIG to bring Advertiser's ad content into compliance will be billed to Advertiser as a non-commissionable production cost.

FULL DISCLOSURE OF AD CONTENT AND HOW IT WILL BE SERVED

- Advertiser shall provide to BVIG a complete and accurate representation of how all ad content will be served to BVIG site visitors. Advertiser shall also disclose any content or technology outside of the ad content itself that may be served to a BVIG site visitor, such as server "cookies" or other methods for tagging or labeling a BVIG site visitor.
- Advertiser shall disclose to BVIG any error messages that a BVIG site visitor may see, such as browser notices requesting user acceptance of a server "cookie" or any copy that may appear if an image is not successfully downloaded.
- Advertiser shall respond to all BVIG questions in a timely manner. BVIG may delay or suspend delivery of ad content until all BVIG technical and non-technical issues are resolved.

FULL DISCLOSURE OF HOW VISITOR DATA WILL BE COLLECTED, REPORTED, AND DISTRIBUTED
- Advertiser will submit to BVIG in writing a clear and accurate description of what specific data will be collected by Advertiser or any third-party server from BVIG Site visitors who view or click on Advertiser's ad content, how and when such data will be collected, and how such data will be used or distributed.
- Advertiser shall respond to all BVIG questions regarding Visitor Data collection and use in a timely manner. BVIG may delay or suspend delivery of ad content until all BVIG data issues are resolved.
- Advertiser acknowledges that if Advertiser's proposed or actual use of visitor data conflicts with BVIG's data policies, BVIG may reject or cancel the Insertion Order in its sole discretion.

QUALITY ASSURANCE (QA)
- Advertiser is responsible for checking the ad content when it is first posted on the BVIG sites and must notify BVIG of any problems or concerns within seventy-two (72) hours after such posting. Failure to notify BVIG within that time period will be deemed Advertiser's approval of the ad content as posted.
- BVIG is not responsible for ensuring that ad content is served as intended by Advertiser and matters such as color corrections, proper animation, and degree of sound quality are strictly Advertiser's responsibility.
- BVIG is not responsible for any incorrect click-through URLs or ad banner referring URLs submitted by Advertiser or for broken text links where a click-through URL leads to an error message for the user.

ADVERTISER RESPONSIBILITY FOR AD CONTENT
- Advertiser shall own or have all proper authorizations, permissions, and licenses for the use of the ad content and any trademarks and logos therein, as contemplated under the Insertion Order and BVIG Advertising Policies. Advertiser shall be solely responsible for and pay all rights, public performance, and other fees associated therewith.
- Advertiser shall indemnify, defend, and hold BVIG and its affiliates harmless from any and all claims, judgments, damages, losses, expenses (including reasonable attorneys' fees and expenses), and other liabilities related in any way to, directly or indirectly, (1) any ad content provided by Advertiser and posted on the BVIG sites, (2) Advertiser's failure to pay any rights, public performance, or other fees associated with the ad content, (3) the delivery to BVIG Site visitors by Advertiser or on its behalf of any content or technology outside the ad content itself, (4) the pages and sites to which the ad content links, or (5) any products sold through the ad content or the Web pages or sites to which it links. Advertiser shall bear full responsibility for the defense (including any settlements) of any such claim; provided, however, that (a) Advertiser shall keep BVIG informed of and consult with BVIG in connection with the progress of such litigation or settlement; and (b) Advertiser shall not have any right, without BVIG's written consent, to settle any such claim if such settlement arises from or is part of any criminal action, suit, or proceeding or contains a stipulation to or admission or acknowledgment of any liability or wrongdoing (whether in contract, tort or otherwise) on the part of BVIG or any

BVIG affiliate.

MULTIPLE AD CREATIVES
- Advertiser may rotate up to four (4) different ad creatives over the course of a given ad flight.
- BVIG may in its sole discretion permit Advertiser to run more than four (4) different creative versions over the course of an ad flight. In such event, Advertiser shall pay to BVIG BVIG's then-current non-commissionable ad management fee for each additional ad creative.

INVOICING AND PAYMENT TERMS
- BVIG shall issue written invoices to Advertiser (or its designated agency) for all amounts due. Payment in full in US dollars is due to BVIG no later than thirty (30) days from the date of the invoice. An interest charge equal to one and one-half percent (1.5%) per month or the highest legal rate, whichever is less, will be applied to unpaid amounts past due.
- In a case where the ad flight exceeds one calendar month in length, BVIG may issue multiple invoices. For example, a six-month ad flight may result in six invoices, each for a one-month span.
- Advertiser's payment is due and payable within the period described above, regardless of any change in Advertiser's designated agency.
- Insertion Orders for additional ad or sponsorship buys will not be accepted when Advertiser has a balance due that has been outstanding for ninety (90) days. BVIG may also delay the start of a confirmed Insertion Order or suspend or cancel delivery of any Insertion Order in progress until full payment is received against such outstanding balance.
- In the event of nonpayment, Advertiser and its designated agency shall be jointly and severally liable for any unpaid amounts. BVIG's rendering an invoice to Advertiser's agency shall not release Advertiser in the event the agency does not pay the invoice. Advertiser's payment to its agency shall not constitute payment to BVIG unless BVIG actually receives the payment. In the event of nonpayment, BVIG may set off any amounts due BVIG against any amounts due from BVIG to Advertiser or its agency, or may set off such amounts against any ad impressions to be delivered by BVIG.

AD REPORTING
- BVIG will report ad impressions delivered and related click yield to Advertiser in a timely manner. The information to be tracked by BVIG and/or reported to Advertiser shall be determined by BVIG at its sole discretion. All such information shall be deemed BVIG Confidential Information and, except for Advertiser's internal research purposes, such information may not be used by Advertiser for

any purpose. Advertiser shall not disclose such information to any third party without BVIG's prior written consent, which may be granted or withheld at BVIG's sole discretion.

- Advertiser agrees BVIG's internal reporting is the official basis for measuring the delivery of ad impressions and related click yields and shall be deemed conclusive.
- BVIG owns and shall retain all rights, title and interest in all traffic data and customer data collected by BVIG and Advertiser shall have no right to obtain or use such data.
- All reporting queries should be addressed to:

Helen Brennan
Ad Sales Operations Manager
Buena Vista Internet Group
19 East 34th Street, 6th Floor
New York, NY 10016
Ph: (212) 448-4815
Fax: (212) 448-4848
ads@disneyonline.com

- E-mail messages should be followed up with a telephone call.

ADS DELIVERED BY THIRD-PARTY SERVERS

- Advertiser may request that ad impressions be delivered via third-party servers in place of BVIG servers. Advertiser (not its agency) must make the request in writing to BVIG's Vice President of Advertising no later than ten (10) working days prior to the first date of the ad flight. The request must be accompanied by all relevant supporting documentation. All requests will be reviewed on a case-by-case basis, with approval granted or withheld in BVIG's sole discretion.
- Third-party ad servers must comply with all BVIG Advertising Policies and all deadlines and terms within the Insertion Orders for the applicable ad content. All ad content must be approved by BVIG before going live and may not be changed without prior BVIG approval. Proposed changes must be submitted to BVIG for review no less than five (5) working days in advance.
- The third-party, or whomever Advertiser designates, shall provide BVIG with impression and click-through reports in a timely fashion; provided however, that BVIG internal reporting shall remain the official basis for measuring the delivery of ad impressions and related click yields and shall be deemed conclusive. All third-party reports shall conform to industry standards.
- Advertiser shall provide BVIG with a default ad unit(s) that BVIG may serve directly in the event of technical difficulties with the third-party server in order to meet the terms of the Insertion Order.
- BVIG reserves the right to disapprove or withdraw its approval of any third-party ad server at any time for any reason, in BVIG's sole discretion.
- Advertiser agrees and will, if BVIG requests, acknowledge in a separate writing, that neither it, its ad agencies, its agent for operating the third-party server, nor any other party known or unknown, will take data from the third party server and use it in conjunction with any other data source or sources to identify and/or label any BVIG site visitor as an individual entity.

THIRD-PARTY AD SERVER COMPLIANCE WITH TECHNICAL REQUIREMENTS
- Advertiser assumes all responsibility for its third-party servers' technical service levels during the ad flight. Advertiser will pay for all impressions allocated by BVIG's servers, whether or not the third party server actually delivers them. BVIG is the final arbiter regarding the number of ad impressions allocated by the BVIG servers.
- All ads served by third-party servers must completely load within seven (7) seconds at a 28.8 kbps connection. BVIG will advise Advertiser of any additional third-party server technical standards, such as speed and volume requirements.
- If BVIG determines that the speed of any third-party server's ad delivery fails to meet BVIG's quality assurance standards, BVIG may stop serving the applicable ad content.

D-2: FORM OF ADVERTISING SALES INSERTION ORDER FORM

PACKAGES: (PLEASE CHECK APPROPRIATE BOX(es)

<TABLE>
<CAPTION>

BUSINESS ENTITY	WEB SITE	PACKAGE	
DOL	Disney.com	Disney ROS ATF	[ ]
		Disney ROS BTF	[ ]
		Disney ROS 120x60	[ ]
		Disney ROS ATF and BTF	[ ]
		Disney ROS ATF and 120x60	[ ]
		Disney ROS ATF and BTF and 120x60	[ ]
		Disney Family ATF	[ ]
		Disney Family BTF	[ ]
		Disney Family 120x60	[ ]
		Disney Family ATF and BTF	[ ]
		Disney Family ATF and 120x60	[ ]
		Disney Family ATF and BTF and 120x60	[ ]
		Disney Women ATF	[ ]

	Disney Women BTF	[ ]
	Disney Women 120x60	[ ]
	Disney Women ATF and BTF	[ ]
	Disney Women ATF and 120x60	[ ]
	Disney Women ATF and BTF and 120x60	[ ]
	Disney Kids ATF	[ ]
	Disney Kids BTF	[ ]
	Disney Kids 120x60	[ ]
	Disney Kids ATF and BTF	[ ]
	Disney Kids ATF and 120x60	[ ]
	Disney Kids ATF and BTF and 120x60	[ ]
	Disney Teens ATF Disney Teens BTF	[ ]
	Disney Teens 120x60	[ ]
	Disney Teens ATF and BTF	[ ]
	Disney Teens ATF and 120x60	[ ]
	Disney Teens ATF and BTF and 120x60	[ ]

CUSTOM PACKAGE DESCRIPTION:

PACKAGES CONTINUED: (PLEASE CHECK APPROPRIATE BOX(es)

BUSINESS ENTITY	WEB SITE	PACKAGE	
ABC	ABC.com	ABC Primetime Group	[ ]
		ABC Primetime Portal Group	[ ]
		ABC ROS Group	[ ]
		ABC ROS Portal Group	[ ]
		ABC ROS w/o TGIF	[ ]
		ABC ROS w/o Talk Shows	[ ]
		ABC Shopping	[ ]
		ABC Shopping Portal	[ ]
		ABC Soaps	[ ]
		ABC TGIF Group	[ ]
		ABC Talk Shows	[ ]
		ABC Test Group	[ ]
		ABC The View	[ ]
		ABC Women's Group (w/HP)	[ ]
		ABC Women's Group w/o HP	[ ]

CUSTOM PACKAGE DESCRIPTION:

DOL	Family.com	Family ATF	[ ]
		Family BTF	[ ]
		Family 120x60	[ ]
		Family ATF and BTF	[ ]
		Family ATF and 120x60	[ ]
		Family ATF and BTF and 120x60	[ ]
		Family Shop	[ ]
		Family 234x60 National	[ ]
		Family 234x60 Local	[ ]

CUSTOM PACKAGE DESCRIPTION:

PACKAGES CONTINUED: (PLEASE CHECK APPROPRIATE BOX(es)

<TABLE>
<S> <C> <C>

GoRadio	WABC-AM	[ ]
	WPLJ-FM	[ ]
	KABC-AM	[ ]
	KLOS-FM	[ ]
	WLS-AM	[ ]
	WXCD-FM	[ ]
	KGO-AM	[ ]
	KSFO-AM	[ ]
	WMAL-AM	[ ]
	WRQX-FM	[ ]
	WJZW-FM	[ ]
	WBAP-AM	[ ]
	KSCS-FM	[ ]
	WJR-AM	[ ]
	WPLT-FM	[ ]
	WDRQ-FM	[ ]
	WKHX-FM	[ ]
	WYAY-FM	[ ]
	KQRS-FM	[ ]
	KXXR-FM	[ ]
	KZNT-FM	[ ]
	KZNZ-FM	[ ]
	KZNR-FM	[ ]
ABC Network Radio Shows	Tom Joyner	[ ]
	Doug Banks	[ ]
	Paul Harvey	[ ]
Radio Disney.com		[ ]
ABC Local Net		[ ]

</TABLE>

CUSTOM PACKAGE DESCRIPTION:

D-3: FEES AND PAYMENTS

Content Partner will purchase Online Advertising in accordance with Article 3 of the Agreement at a rate of $2 million during the first year in the Initial Term, $3 million during the second year in the Initial Term and $4 million during the third year in the Initial Term. The fees for such Online Advertising are payable as follows unless otherwise mutually agreed:

- for the first twelve months during the Initial Term, One Hundred Sixty-Six Thousand Six Hundred Sixty-Seven Dollars ($166,667) per month;
- for months 13 through 24, Two Hundred Fifty Thousand Dollars ($250,000) per month; and
- for months 25 through 36, Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three Dollars ($333,333) per month.

Online Advertising fees shall be due and payable within thirty (30) days after receipt of invoice sent to Content Partner at its address as set forth in Section 16.6, Attention: Accounts Payable. The first invoice sent pursuant to this Agreement shall be delivered no earlier than February 29, 2000.

Failure to pay the Online Fees as they become due shall result in a late fee of one percent (1%) per month of the total monthly amount due until such payment is made.

Content Partner will receive a fifteen percent (15%) discount off of the then current rate card for any additional online advertising buys above the $2 million during the first year of the Initial Term, the $3 million during the second year of the Initial Term and the $4 million during the third year of the Initial Term described above.

APPENDIX E

PROJECTED IMPRESSIONS

[This Appendix has not been finalized by the parties]

APPENDIX F

CONTENT GUIDELINES AND ADVERTISING GUIDELINES FOR GO NETWORK

F-1: CONTENT GUIDELINES FOR GO NETWORK

All editorial and creative content, design and overall appearance and user experience ("the Content") of the GO Network must be appropriate to the intended user experience and to the content of The Walt Disney Company Sites, ESPN sites, and ABC Sites that will have prominent positioning within GO Network.

Infoseek, at its discretion, may offer search results or directory listings that may include links to content outside GO Network that might otherwise not be appropriate.

What is clearly not appropriate

The following types of Content are clearly not appropriate to be on GO Network or presented in any context that may create a direct or implied association with The Walt Disney Company Sites:

- Pornographic or obscene material;
- Content whose primary purpose is to encourage gambling or betting (i.e., poker or 21 card games, roulette, slot machines, etc.) other than sports fantasy games, or approved sweepstakes or games of skill or chance (certain card games are appropriate and may be included on Infoseek, i.e., solitaire, go fish, matching games, etc.);
- Threatening (i.e., harassment, hate speech) material or content that promotes, encourages, describes, or provides instruction in conduct that would constitute a criminal offense or otherwise violates any law in jurisdictions where the products is marketed.
- Content that is defamatory, illegal or infringes upon the privacy rights of any person or entity.

What may also be considered by Infoseek as inappropriate

Certain types of Content, unless offered in the format of an independent observer providing objective, fair, accurate and impartial information (as may be provided by a news site such as ABCNews.com), may be considered inappropriate for GO Network if it involves, without limitation:

- unauthorized copies, use or parodies of current or past Infoseek products or the products of its affiliates,
- a direct or implied endorsement, affiliation or favored status with Infoseek, GO Network, ESPN, ABC or The Walt Disney Company;

- inaccurate or misleading information;
- unreasonable or highly unlikely claims;
- highly controversial issues (politics, social issues, etc.);
- death, crime, drugs or violence in an inappropriate context; or
- involves an advertiser or content provider in a category where the privilege of exclusivity has previously been sold by Infoseek to a third party (for example, MBNA is the exclusive provider/advertiser for credit card products for GO Network).

Guidelines for Requests for User Information

Any solicitation or request for personal information from a user of GO Network must be accompanied by the following:
- a clear request that children below the age of 13 years seek parental permission before providing any information
- a clear explanation to the user of how the information collected will be utilized
- only certain functionality or premium content areas will require the user to submit personal information

IMMEDIATELY UPON DETERMINING THAT CONTENT ON GO NETWORK DOES NOT MEET THESE GUIDELINES, SUCH CONTENT WILL BE REMOVED FROM GO NETWORK.

These guidelines are subject to change by Infoseek.

F-2: ADVERTISING GUIDELINES FOR GO NETWORK

THE ADVERTISING ENVIRONMENT MUST BE APPROPRIATE IN THE CONTEXT OF THE GO NETWORK. This "advertising environment" includes the ad unit itself, the advertiser's web site and direct links off of it, the specific destination URL, interstitial or buffer pages, and all other elements that define the guest's online experience.

An advertising environment or advertising materials of the types enumerated in the first grouping below will not be accepted and materials may also be rejected, at the discretion of Infoseek

WHAT IS CLEARLY NOT APPROPRIATE?

- HARD LIQUOR-RELATED (BROWN GOODS, WHITE GOODS, ETC)
- TOBACCO-RELATED (CIGARETTES, CIGARS, PIPES, CHEWING TOBACCO, ETC)
- GUNS/WEAPONS-RELATED (FIREARMS, BULLETS, ETC)
- DRUGS-RELATED (MARIJUANA, ETC)
- GAMBLING-RELATED (CASINOS, LOTTERIES, ETC)
- PORNOGRAPHIC-RELATED (SEX SITES)
- CRIME-RELATED (DEALING WITH THE NOTORIOUS)
- DEATH-RELATED (FUNERAL HOMES, MORTUARIES)
- GRAPHIC VIOLENCE (INCLUDING CERTAIN TYPES OF GAME SITES)

WHAT MAY ALSO BE CONSIDERED BY INFOSEEK AS INAPPROPRIATE?

- INVOLVES WHAT INFOSEEK CONSIDERS TO BE A DIRECT BUSINESS COMPETITOR OF GO NETWORK.
- INVOLVES UNAUTHORIZED OR UNAPPROVED USE OF GO NETWORK CREATIVE ASSETS (INCLUDING ESPN TALENT, ABC LOGOS, DISNEY CHARACTERS, MOVIE LOGOS, THEME PARK IMAGERY, NAMES AND MARKS USED IN GO NETWORK).
- INVOLVES AN ADVERTISER IN A CATEGORY WHERE THE PRIVILEGE OF EXCLUSIVITY HAS PREVIOUSLY BEEN SOLD TO ANOTHER ADVERTISER.
- INVOLVES A COPY OR PARODY OF CURRENT OR PAST GO NETWORK PRODUCT.
- POLITICS-RELATED (LOBBYISTS, PAC SITES, POLITICAL CAMPAIGNS)
- NON-HARD LIQUOR RELATED (BEER, NON-ALCHOHOLIC BEER, WINE, CHAMPAGNE, ETC.)
- OTHER "CONTROVERSIAL TOPICS" (POLITICS, SOCIAL ISSUES, ETC.) AS DETERMINED BY INFOSEEK IN ITS DISCRETION

- INVOLVES AN IMPLIED AFFILIATION OR FAVORED STATUS WITH GO NETWORK.
- INVOLVES UNREASONABLE OR HIGHLY UNLIKELY PRODUCT OR SERVICE CLAIMS.

SOLICITATION OF PERSONAL INFORMATION: The advertiser's web site should not require guest registration prior to site access when linking to such site through the banner. The destination URL should not be a registration screen, sweepstakes entry screen or other screen that immediately solicits personal information from a site guest.

WHERE INFORMATION IS REQUESTED:

- Any solicitation of personal information must include a clear request that children below the age of 13 years seek parental permission before providing any such information.
- The advertiser must clearly explain to the guest how the advertiser will utilize the personal information collected.

- Only certain functionality or premium content areas will require the user to submit personal information.

Infoseek welcomes the opportunity to work closely with advertisers and agencies, to insure that ad content and web sites meet standards for advertising applicable to GO Network.

Immediately upon determining that an advertisement does not meet these ad guidelines, that ad will be removed from GO Network.

All advertisers, agents or representatives placing ads on behalf of or with GO Networks must adhere to these advertising guidelines. Infoseek reserves the right of refusal for any advertising placement for any reason, whether due to content, technological, legal, privacy or other considerations.

APPENDIX G

PRE-APPROVED STATEMENTS

THERE ARE CURRENTLY NO PRE-APPROVED STATEMENTS

1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated January 14, 2000, except for note 10 as to which the date is January 19, 2000, in the Registration Statement (Form S-1) and related Prospectus of Pets.com, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

San Francisco, California
February 8, 2000