

**J.R. WATKINS NATURALS**  
**January 1, 2014**  
**U.S. MINIMUM ADVERTISED PRICE POLICY**

**REASONS FOR THIS POLICY**

The purpose of this policy is to strengthen Watkins' position within a highly competitive industry as a recognized supplier of natural food, personal care and home care products and remedies, ("Products") known for their quality and natural, environmentally friendly ingredients from renewable resources. In order to maintain this position, Watkins seeks to continue its relationship with current consumers and forge a connection with new consumers based upon the high quality and other attributes of our Products. Watkins believes advertising at prices below Watkins' suggested minimum advertised prices by U.S. resellers<sup>1</sup>, purchasing Products either directly from Watkins or through others, is not consistent with these goals.

First, Watkins must make sure that whatever price is advertised is realistic, and advertised information is reliable. Advertising creates an expectation in the minds of consumers which, if unmet because the advertised price is neither realistic nor reliable, can go unsatisfied. While the source of that consumer dissatisfaction should lie solely with the reseller, it is often the manufacturer which bears the consumer's wrath. As a result, Watkins is concerned about the advertised prices (and other information) for its Products.

Second, advertised prices below certain levels can actually harm consumers' perception of our Products which, in turn, can be detrimental to our ability to compete against other well-established brands. As a result, retailers will shy away from investing the money, space and resources necessary to support Watkins' Products. In turn, consumers will also suffer either as a result of less product availability or from incorrectly concluding that Watkins' Products are lower quality or less desirable than our competitors' products.

**POLICY STATEMENT**

**THIS POLICY RELATES ONLY TO THE PRICES AT WHICH RESELLERS MAY ADVERTISE<sup>2</sup> WATKINS' PRODUCTS. ALTHOUGH WATKINS MAY ALSO SUGGEST RESALE PRICES, THIS POLICY DOES NOT AFFECT THE PRICES THAT RESELLERS MAY CHARGE FOR WATKINS' PRODUCTS. RESELLERS REMAIN FREE TO SELL WATKINS' PRODUCTS AT WHATEVER PRICES THEY CHOOSE.**

A reseller may not advertise or otherwise promote (regardless of place or medium used) one or more of the Products at a Net Price<sup>3</sup> less than the then current MAP established by Watkins.

- This includes any price published on the Internet, including but not limited to prices displayed through links, pop-ups and other methods of publication anywhere on the Internet. For example, reseller may not include statements such as "click here for best price" or "click here to see pricing."
- Resellers remain free to state that customers may "call for pricing" or "contact for quote" and include a telephone number or email address for use by the potential customer.
- Reseller is prohibited from selling any Watkins' Products to any reseller who has violated the terms of this Policy.
- Advertising such as "*15% off all products in the store*," that results in an advertised price lower than the MAP is a violation of this Policy when referring to Watkins' Products. Under this Policy, therefore, if a reseller advertises a promotion providing for a discount on all products in the store or any store department in which Watkins' Products are sold, Watkins' Products must be excluded from the copy of the advertisement.
- Free shipping and/or handling does not violate this Policy.

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<sup>1</sup> Many U.S. resellers have Canadian operations or are trans-shipping into Canada. This Policy is not applicable to resellers' Canadian advertising.

<sup>2</sup> "Advertisement," "advertising" or "advertise" as used in this policy refers to advertising messages and communications, whether oral or written, regardless of the media used, including newspapers, magazines, direct mail catalogs and flyers, radio, television, email, Internet, eCommerce or any similar mass media. This list is not exhaustive. For purposes hereof, "advertising" does not include in-store advertising.

<sup>3</sup> "Net Price" means the stated price less all discounts, coupons, allowances and free goods or services offered with Watkins' Products.

- Honest mistakes or inadvertent errors may be considered a violation of this Policy. The actual circumstances, as determined independently by Watkins, will dictate the manner in which Watkins addresses a situation where a reseller is claiming honest mistake.

This Policy may be modified, extended, suspended, discontinued or rescinded in whole or in part by Notice from Watkins at any time. Any such Notice will describe the nature of any such modification, extension, suspension, discontinuation or rescission of the Policy.

Finally, Watkins reserves the right to choose the resellers with whom it does business and also reserves the right to accept or reject any order in whole or in part at any time.

#### **VIOLATIONS**

##### **Part A – Retail Resellers**

***In the event that a reseller violates this Policy by advertising or otherwise promoting Watkins’ Products at a Net Price of less than MAP:***

**First Violation** – Reseller shall receive notification by letter of the violation and explaining the consequences of continuing violations.

**Second Violation** – Watkins will indefinitely suspend doing business with reseller for a period to be determined at Watkins’ sole discretion.

**Third Violation** – Watkins will cease doing business with the reseller consistent with any written agreement with the offending reseller.

##### **Part B – Wholesale (Distributor) Resellers**

Watkins’ resellers are not authorized to sell Watkins’ Products to entities or persons which advertise or otherwise promote Watkins’ Products at a Net Price below the MAP established from time to time by Watkins. Wholesale resellers are responsible for advising their customers of this MAP Policy and the consequences of violations by their customers.

***In the event a reseller violates this Policy by providing Products to any entity or person that advertises or otherwise promotes Watkins’ Products at a Net Price of less than MAP:***

**First Violation** – Reseller shall receive notification by letter of the violation and explaining the consequences of continuing violations.

**Second Violation** – Watkins will indefinitely suspend doing business with reseller for a period to be determined at Watkins’ sole discretion.

**Third Violation** – Watkins will cease doing business with the reseller consistent with any written agreement with the offending reseller.

##### **Part C – All Resellers**

Watkins may not provide additional prior notice or warnings before taking action under this Policy. Watkins retains the exclusive authority to resolve all disputes, conflicts, controversies or questions in relation to this Policy.

For the purposes of determining applicable sanctions, violations of Part A and Part B will be treated separately. Therefore, if a reseller violates Part A and then violates Part B, the non-compliant reseller will be sanctioned under Part A and Part B for the first violation of each, not treated as if the Part B violation is a “Second Violation.”

#### **MAP PRICES**

The attached schedule sets forth the Regular Suggested Retail and the Minimum Advertised Price (MAP) pricing for all consumer products. Advertising is inconsistent with this Policy if it can reasonably be read to imply that the price of any Watkins’ Product is below the Minimum Advertised Price for that Product as shown in the attached schedule. This Policy applies equally to new products as well as to established products. The policy does not apply to products designated by Watkins as “seconds” or discontinued. Advertising during periods of certain Watkins’ approved cooperative marketing programs which may result in advertising at price points below the applicable MAP price will not violate the Policy.

#### **“UNILATERAL” NATURE OF THE MAP POLICY**

Each reseller remains free to determine for itself the resale prices at which it will sell Watkins’ Products, and each reseller is free to decide independently whether or not to follow this Policy. Watkins does not ask for, nor will it accept, any assurance of compliance or agreement from a reseller regarding the prices at which it resells or advertises its Products, nor will Watkins discuss any conditions or acceptance related to this Policy. Watkins will make any and all decisions related to the imposition or nature of any sanction or penalty unilaterally. All decisions by Watkins to take action for a violation of this Policy are final. There will be no negotiation.