



VALUE PROTECTION POLICIES FOR RETAILERS

EXPLANATION

INCLUDING FREQUENTLY ASKED QUESTIONS (FAQs)

This Explanation is intended to help answer questions in connection with the Value Protection Policies for Retailers (the “Policies”) issued by Precious Cat, Inc. (“Precious Cat”), but is not part of the Policies.

General

1. Why has Precious Cat adopted the Policies?

Precious Cat Products are intended to help cats live longer, healthier lives. They are made to high-quality standards and backed with extensive product and market development activities and superior service. Some Retailers have taken or may take advantage of these facts by advertising such products as loss leaders, promoting unfair discounts or misusing intellectual property of Precious Cat or references to Precious Cat or its products. In an effort to help safeguard the reputation of Precious Cat, insure the long-term viability of its brands and protect the investment of those Retailers that provide valuable services to end users, Precious Cat has adopted the Policies.

2. When are the Policies effective?

The Policies are effective December 15, 2017 (the “Policy Effective Date”).

3. What do the Policies cover and to whom do they apply?

The Policies (a) are applicable to each Retailer and (b) consist of (i) a policy regarding electronic minimum advertised price (the “Electronic Minimum Advertised Price Policy” or the “EMAP Policy”) and (ii) a policy dealing with advertising and marketing (the “Advertising and Marketing Policy” or the “A&M Policy”).

As used in the Policies, “Retailer” (in the plural, “Retailers”) means an individual or entity located in either or both the United States of America (“USA”) and Canada that promotes and sells or either thereof any or all products offered by Precious Cat (in the plural, “Precious Cat Products”) to one or more actual or potential end user purchasers (whether doing so directly or through another party that does such things as advertise or fulfill orders on behalf of such individual or entity).

The Electronic Minimum Advertised Price Policy applies to certain Precious Cat Products offered in particular ways, while the Advertising and Marketing Policy, unless otherwise noted, applies to all Precious Cat Products, regardless how they are offered.

The Electronic Minimum Advertised Price Policy

4. What does the EMAP Policy do and what products are subject to it?

The EMAP Policy establishes an electronic minimum advertised price (“Electronic Minimum Advertised Price” or “EMAP” and referring to either the singular or the plural or both, “EMAP(s)”) for each of the Precious Cat Products as specified by Precious Cat Notice, including without limitation on the price list(s) or product list(s) provided or otherwise made available to each Retailer by Precious Cat (individually, an “EMAP Product” and collectively, “EMAP Products”).

As used in the Policies, “Precious Cat Notice” means notice from Precious Cat to a Retailer provided or made available electronically or otherwise, such as, but not limited to, posting on one or more websites designated by Precious Cat.

5. Does the EMAP Policy apply to all forms of marketing?

No. The EMAP Policy applies only to each form of Electronic Content containing Price Information regarding one or more of the EMAP Products made available or provided by or on behalf of a Retailer (collectively, “Electronic Marketing”). When applied to websites, the EMAP Policy considers Price Information appearing or otherwise conveyed both outside the cart (or other container) and in the cart (or other container) to be subject to the EMAP Policy.

6. What is not Electronic Marketing?

The following are not considered to be Electronic Marketing and, therefore, are not subject to the EMAP Policy: (a) each offer made in or through newspapers, magazines, rotos, direct mail, catalogs, radio, television, signs and each other medium designated as such by Precious Cat (“Conventional Advertising”); (b) each offer made: (i) in direct response to a specific customer inquiry through individualized live telephone communication or individualized live email (but not recordings, automated bounce-back email or the substantive equivalent) or (ii) by live face-to-face interaction in a brick-and-mortar store; and (c) each other thing deemed not to be Electronic Marketing by Precious Cat Notice.

7. What are “Electronic Content” and “Price Information”?

As used in the Policies: (a) **“Electronic Content”** means information that (i) can be accessed by an internet browser or anything which Precious Cat considers to be the substantive equivalent, including, but not limited to, (A) internet shopping sites, (B) marketplaces and (C) comparison search engines (CSEs) to which a Retailer supplies pricing information (e.g., Google Shopping, Buy.com, eBay, Amazon and PriceGrabber); (ii) is provided by or through one or more applications (apps) for mobile devices (e.g., tablets and smartphones), including, but not limited to, social media apps (e.g., Twitter, Instagram and Facebook) and mobile gaming platforms; or (iii) is furnished by or through (A) electronic solicitations or other electronic communications (e.g., robocalls, caller-on-hold and other audio recordings, messaging (such as SMS (text), MMS (multimedia) and IM (instant)), webcasts, email and online or other electronic chats), (B) electronic advertisements (such as email newsletters, pop-ups and banners) or (C) anything which Precious Cat considers to be the substantive equivalent and (b) **“Price Information”** means information regarding price, whether, express or implied, such as a discrete price, price formula, reference to price or anything related to price (e.g., representations or inferences regarding savings, discount(s) or value) and anything which Precious Cat considers to be the substantive equivalent;

8. What is the difference between the EMAP Policy and an Electronic Minimum Retail Price (EMRP) Policy?

The EMAP Policy applies to the price(s) at which any or all of the EMAP Products is or are made available in any way through Electronic Marketing (whether through advertising, promotion, proposal or otherwise) (individually and collectively, **“offering”** and its variants), but not to the actual selling price. An EMRP Policy applies to both the offer and selling price.

9. How does the Electronic Minimum Advertised Price relate to the Manufacturer’s Suggested Retail Price?

Precious Cat may designate a Manufacturer’s Suggested Retail Price (**“MSRP”**) for any or all Precious Cat Products. The EMAP for each of the EMAP Products could be the same as or less than its MSRP.

10. Can Precious Cat change various aspects of the EMAP Policy?

Yes. Precious Cat, at any time, may vary the EMAP for an EMAP Product or add to or delete any or all of the EMAP Products, which may, among other things, be based on whether such product(s) is or are offered under or subject to one or more select Precious Cat programs or any other Precious Cat policy or in any other situation announced by Precious Cat from time to time. Precious Cat will endeavor to provide prior notice of each new EMAP or such change in the EMAP Products, generally not less than five (5) days in advance. While Precious Cat will communicate each EMAP and such change by Precious Cat Notice (including without limitation on the price list(s) or product list(s) provided or otherwise made available by Precious Cat), each Retailer is responsible for making sure that it is aware of each appropriate EMAP and EMAP Product in each circumstance.

11. Is Precious Cat setting the price charged by Retailers?

No. Each Retailer may offer or charge any price it wishes. However, a Retailer violates the EMAP Policy by (a) using any or all forms of Electronic Marketing to offer any or all of the EMAP Products at a Net Adjusted Price less than the corresponding EMAP(s) established by Precious Cat from time to time and communicated to such Retailer by Precious Cat Notice or (b), as provided in the EMAP Policy, being deemed to have violated it.

12. What is “Net Adjusted Price”?

“Net Adjusted Price” means the price at which an EMAP Product is offered by or for the benefit of a Retailer to a customer (potential or actual) after (a) applying all discounts and similar price reductions, (b) excluding certain taxes and shipment charges and (C) giving effect to the value of each Bundle involving one or more free or reduced-price goods or services, while **“Bundle”** means a combination of one or more Precious Cat Products with one or more other products or services offered or sold together (as determined by Precious Cat).

13. How is Net Adjusted Price determined?

Except as otherwise provided in the EMAP Policy, for each Retailer, Net Adjusted Price will be calculated by:

- (a) Including Discounts: Taking into account all discounts, deductions, rebates and allowances offered to a potential or actual customer (regardless of source, whether given or taken at the time of sale or otherwise and considered by Precious Cat to be part of such offer or sale), **except for the following**:
 - (i) Rebates/Coupons from Precious Cat: Each offer referring to or applying a rebate, coupon or the equivalent (as determined by Precious Cat) will not be considered part of Net Adjusted Price if such rebate, coupon or the equivalent is provided by Precious Cat or its designee(s) (A) directly to such customer or (B) to such Retailer for provision to and use by such customer;
 - (ii) Gift Cards: Each offer referring to or applying one or more gift cards, as long as such use is in a transaction separate from the purchase or award of such card(s) (However, one or more gift cards offered with the purchase of any or all of the EMAP Products will be considered a discount, except as otherwise provided in the EMAP Policy.); and
 - (iii) Free/Reduced-Price Shipping: Free or reduced-price shipping may be offered by a Retailer without it being considered to be a discount when offered in connection with a potential or actual purchase that includes at least one of the EMAP Products, provided that, as determined by Precious Cat: (A) such offer applies to all other

products in the category in which such EMAP Product or such EMAP Products reside and (B) the value thereof is reasonable;

- (b) Excluding Taxes/Certain Charges: Excluding, if to be paid by such customer, all applicable taxes and all shipping, delivery and insurance charges (However, if such Retailer offers to pay any or all of such taxes and such charges that otherwise would be paid by such customer, the amount so offered by such Retailer will be considered a discount, except as otherwise provided in the EMAP Policy.);
- (c) Subtracting Value of Free Goods and Services. Subtracting, in the case of free goods, services and similar benefits for such customer offered by such Retailer as part of a Bundle, the fair market value (as determined by Precious Cat) of all such goods, services and benefits (regardless of source, whether given or taken at the time of sale or otherwise and considered by Precious Cat to be part of such offer or sale); and
- (d) Subtracting Reduced-Price Value. Subtracting, in the case of reduced-price goods and services and similar benefits for such customer offered by such Retailer as part of a Bundle, the difference between: (i) the fair market value (as determined by Precious Cat) of all such goods, services and benefits (regardless of source, whether given or taken at the time of sale or otherwise and considered by Precious Cat to be part of such offer or sale) and (ii) the amount to be paid for such goods, services and benefits.

What this means is that a Retailer's "bottom-line" offering price to its customers for each of the EMAP Products must be at or above the applicable price described in the EMAP Policy. The bottom-line price is after all discounts, deductions, rebates and allowances and excludes taxes, shipping, delivery and insurance (if paid by the customer).

14. Are end user rebates or coupons that come from Precious Cat considered discounts?

No. Each offer referring to or applying a rebate, coupon or the equivalent (as determined by Precious Cat) will not be considered part of Net Adjusted Price if such rebate, coupon or the equivalent is provided by Precious Cat or its designee(s) (a) directly to such customer or (b) to such Retailer for provision to and use by such customer.

15. Are gift cards treated as a discount?

No. Each offer referring to or applying one or more gift cards in connection with any or all EMAP Products will not be treated as part of Net Adjusted Price, as long as such use is in a transaction separate from the purchase or award of such card(s). However, one or more gift cards offered with the purchase of any or all of the EMAP Products will be considered a discount, except as otherwise provided in the EMAP Policy.

16. Is free or reduced price shipping treated as a discount?

No. Free or reduced-price shipping may be offered by a Retailer without it being considered to be a discount when offered in connection with a potential or actual purchase that includes at least one of the EMAP Products, provided that, as determined by Precious Cat: (a) such offer applies to all other products in the category in which such EMAP Product or such EMAP Products reside and (b) the value thereof is reasonable.

17. Will Precious Cat provide some guidance on fair market value for use in analyzing Bundles?

The fair market value for each EMAP Product provided for free or at a reduced price with the purchase of another EMAP Product will be its EMAP. From time to time, Precious Cat may communicate to a Retailer by notice what it considers to be the fair market value for particular goods or services.

18. How is the situation treated when a Retailer offers a EMAP Product in pairs or multiples?

Unless otherwise directed by Precious Cat, each time the same EMAP Product is offered by a Retailer in pairs or other groupings, the offer price must be no less than the applicable EMAP multiplied by the number of units in the offer.

19. Apart from end user rebates and coupons that come from Precious Cat and free or reduced-price shipping, are there other things allowed by the EMAP Policy?

Yes. As long as a Retailer does not otherwise violate the Policies, such Retailer offering any or all of the EMAP Products using Electronic Marketing at a Net Adjusted Price that is less than the applicable EMAP(s) does not violate the EMAP Policy if such offer is made in accordance with one or more of the following exemptions (collectively, the "**EMAP Policy Exemptions**"):

- (a) Returns: In the case of returns of any or all items of the EMAP Products permitted by Precious Cat, each offer thereof to Precious Cat or to any or all of the Authorized Distributors (as used in the Policies, the "**Authorized Distributors**" ("**Authorized Distributor**" in the singular) means, collectively, each individual or entity designated as such by Precious Cat Notice (unless and until such notice is provided by Precious Cat, each individual and entity otherwise permitted by the Policies to sell to such Retailer will be considered an Authorized Distributor);
- (b) Grandfathered Offers: Each offer that cannot reasonably be modified (as determined by Precious Cat) prior to the Policy Effective Date or the effective date of a change in the EMAP(s), the EMAP Products or the EMAP Policy until such time that it is reasonable to revise such materials (as determined by Precious Cat) to be consistent with the EMAP Policy, as long as, if the EMAP Policy was in place at the time such offer was made, it complied with the then-current terms thereof;

- (c) Special Programs: The offer under one or more special programs (if any) designated by Precious Cat;
- (d) Subscription Programs: The offer of one or more of the EMAP Products subject to a discount that is part of an ongoing subscription replenishment program offered or provided by such Retailer to potential or actual customers, as long as: (i) such Retailer has received Precious Cat Notice expressly approving in advance the participation of each of the Precious Cat Products eligible for such program (collectively, the **“Eligible Products”**); (ii) such Retailer complies with the terms and conditions specified or so approved by Precious Cat; and (iii) the application of such discount takes the Net Adjusted Price for each EMAP Product included in the Eligible Products to no less than ninety-five percent (95%) of its then-current EMAP, unless Precious Cat has expressly approved in advance a larger deviation;
- (e) Multi-Item Discount: The offer of one or more of the EMAP Products subject to a discount that is triggered by reaching certain quantity or dollar levels in the cart (or other container) for a single proposed purchase (a **“Multi-Item Discount”**), as long as: (i) such Retailer has received Precious Cat Notice expressly approving in advance the participation of each of the Precious Cat Products eligible for such discount (collectively, the **“MID-Eligible Products”**) and (ii), regardless whether consisting of one or more of the MID Eligible Products or one or more of the MID-Eligible Products combined with that or those of any other supplier(s), the amount of such discount when pro-rated among the products in such cart (or other container) based on their relative dollar value takes the Net Adjusted Price for each of the MID Eligible Products offered to no less than ninety-five percent (95%) of its then-current EMAP, unless Precious Cat has expressly approved in advance a larger deviation;
- (f) Site-wide or Category-wide Promotions: A site-wide or category-wide promotion involving a coupon, discount or rebate that would, after its application, result in offer price(s) for any or all of the EMAP Products below its or their respective EMAP(s), as long as: (i) such Retailer has received Precious Cat Notice expressly approving in advance the participation of each of the Precious Cat Products eligible for such promotion (collectively, the **“Promotion-Eligible Products”**); (ii) such Retailer complies with the terms and conditions of such promotion specified or so approved by Precious Cat; (iii) such coupon, discount or rebate may be applied to all or almost all of the products offered by such Retailer on such site or, in the case of a category-wide sale (such as kitty litter), no fewer than two (2) brands in the category other than that or those of Precious Cat; and (iv) such application takes the Net Adjusted Price for each of the Promotion-Eligible Products to no less than the EMAP supplied by Precious Cat specifically for such promotion;
- (g) Card Benefit: A card benefit consisting of a discount, credit or rebate associated with the use of a designated credit or debit card that would, after its application, result in offer price(s) for any or all of the EMAP Products below its or their respective EMAP(s), as long as (i) such card benefit may be applied to all or almost all of the products offered by such Retailer and (ii) nothing promoting such card benefit mentions, uses, depicts or otherwise refers to or appears adjacent to or near any or all of: (A) the EMAP Products and (B) the Precious Cat Intellectual Property (as defined in the response to Question 21 of this Explanation);
- (h) Loyalty Points: The accrual of “points” or other things of value (**“Loyalty Points”**) in connection with the purchase or receipt of any or all products and services from such Retailer and the subsequent application of Loyalty Points (but only in one or more transactions other than the one(s) in which they were earned), even if such application results in offer price(s) for any or all of the EMAP Products below its or their respective EMAP(s), as long as: (i) Loyalty Points may be accrued and applied to all or almost all of the products and services offered by such Retailer, (ii) the everyday accumulation rate for Loyalty Points applicable to the purchase of any or all Precious Cat Products is no more than that applicable to all or almost all other brands of products offered by such Retailer (as determined by Precious Cat regardless of category) and (iii) nothing promoting Loyalty Points mentions, uses, depicts or otherwise refers to or appears adjacent to or near any or all of: (A) the EMAP Products and (B) the Precious Cat Intellectual Property; except that such Retailer may offer and provide a greater accumulation rate applicable to the purchase of any or all Precious Cat Products and promote it, as long as such Retailer has received Precious Cat Notice in advance expressly approving such rate and such promotion;
- (i) Military Exchanges: The offer of any or all of the EMAP Products below its or their EMAP(s); provided that: (i) such Retailer is or is a part of the Army & Air Force Exchange Service (AAFES) or one of the other U.S. military or veterans’ exchanges (i.e., that operated by the Navy (NEX), Marine Corps (MCX), Coast Guard (CGX) or Veterans Canteen Service (VCS)) or the Canadian Forces Exchange System (CANEX); (ii) such offer is made only to customers or potential customers eligible to shop at such exchange(s); and (iii) such offer is at a Net Adjusted Price that is no less than ninety-five percent (95%) of the then-applicable EMAP, unless Precious Cat has expressly approved in advance a larger deviation;
- (j) Discontinued Products: The offer of one or more items of any or all of the EMAP Products that is or are discontinued by Precious Cat (collectively, **“Discontinued Products”**) effective (i) when such item(s) do not appear on the then-current the price list(s) or product list(s) issued by Precious Cat or (ii) on the date(s) referred to in Precious Cat Notice of discontinuance; and
- (k) Employee Offers: The offer of any or all of the EMAP Products to a bona fide employee of such Retailer for his or her personal use (and not for resale), provided that such offer is reasonable (as determined by Precious Cat) and not advertised to the general public.

The Advertising and Marketing Policy

20. What does the A&M Policy do and what products are subject to it?

The Advertising and Marketing Policy applies to all Precious Cat Products and protects the intellectual property of Precious Cat and references to Precious Cat or its products. Specifically, a Retailer violates the A&M Policy if any advertisement, promotion or other

marketing vehicle (regardless of medium, whether Conventional Advertising, Electronic Content or otherwise) used or done by or on behalf of such Retailer (a) includes any or all Precious Cat Intellectual Property or mentions, uses, depicts or otherwise refers to any or all of the Precious Cat Products and (b) either (i) does not conform to the Usage Policies or (ii) otherwise is not expressly approved in advance by Precious Cat Notice.

21. What do the terms “Precious Cat Intellectual Property” and the “Usage Policies” mean?

As used in the Policies: (a) **“Precious Cat Intellectual Property”** means trademarks, trade names, service marks, copyrights, logotypes, images, artwork, copy or anything else in which Precious Cat or its designee(s) claim(s) rights and (b) the **“Usage Policies”** means policies regarding (i) the use of Precious Cat Intellectual Property and (ii) uses, depictions or other references of or to any or all of the Precious Cat Products (including without limitation those policies relating to format and content) made available by Precious Cat through Precious Cat Notice.

22. Apart from using Precious Cat Intellectual Property or references to or depictions of Precious Cat Products without following the Usage Policies or obtaining Precious Cat’s approval, can the A&M Policy be violated in other ways?

Yes. Except as expressly authorized by Precious Cat Notice or otherwise allowed by the Policies, with respect to any or all items of Precious Cat Products, a Retailer violates the A&M Policy by knowingly or negligently, directly or indirectly:

- (a) **Prohibited Terms:** Advertising, promoting or selling using the terms “lowest price,” the “lowest prices” or “prices too low to show,” any form of low-price guarantee, price matching or the substantive equivalent (as determined by Precious Cat) of any or all of these terms or concepts;
- (b) **Certain Offers and Sales:** Advertising, promoting or selling in any or all of the following ways: (i) outside the USA and Canada (except to the extent any or all advertising and promotion efforts cannot be reasonably restricted geographically, but this exception does not apply to sales made to anyone located outside the USA and Canada), (ii) doing business under or using any or all business names and storefronts other than the full business name of such Retailer or acceptable variants thereof (as determined by Precious Cat); and (iii) online in any fashion, unless and only to the extent each business name, storefront, website and marketplace used for such purpose by such Retailer is expressly approved in advance by Precious Cat for such use and which approval has not been rescinded by Precious Cat Notice;
- (c) **Selling for Resale:** Selling, supplying or drop shipping to or on behalf of another: (i) for resale (other than, in the case of returns of any or all items of Precious Cat Products permitted by Precious Cat, to Precious Cat or any or all Authorized Distributors) and (ii) to anyone other than end user purchasers permitted by Precious Cat, including without limitation to the Special Accounts (for purposes of the Policies, the **“Special Accounts”** means, collectively, each individual or entity so designated by notice from Precious Cat);
- (d) **URLs:** Using any or all of Precious Cat, its trademarks or other Precious Cat Intellectual Property (or any variant(s) thereof) as or as part of one or more Uniform Resource Locators (**“URLs”**) or the substantive equivalent as determined by Precious Cat employed by or for the benefit of such Retailer, regardless whether such use is in connection with the offering or sale of any or all Precious Cat Products;
- (e) **Gun Jumping:** Advertising, promoting or selling prior to the release date(s) specified by Precious Cat for (i) a new product or (ii) a product or product combination with a special promotional price authorized by Precious Cat;
- (f) **New ASINs:** Creating or assisting in or otherwise cooperating in the creation of new Amazon Standard Identification Numbers (**“ASINs”**) for any or all Precious Cat Products;
- (g) **Questioning Rights:** Questioning or challenging the rights claimed by Precious Cat or its designee(s) in or to the Precious Cat Intellectual Property or assisting in any way any other(s) in doing so;
- (h) **New Locations:** After the Policy Effective Date, the addition of one or more new locations by or on behalf of such Retailer where any or all Precious Cat Products are offered or sold, regardless whether such location(s) is or are physical or electronic;
- (i) **Certain Purchases:** Purchasing any or all Precious Cat Products other than from Precious Cat, one or more Authorized Distributors or, in the case of bona fide returns only, end user purchasers; and
- (j) **Modifications or Counterfeits:** Offering or selling one or more products that are modified or counterfeit version(s) of any or all Precious Cat Products.

23. Are there any exemptions from the A&M Policy?

Yes. Provided that a Retailer otherwise complies with the Policies, such Retailer does not violate the A&M Policy by conduct that, as determined by Precious Cat, cannot reasonably be modified prior to the Policy Effective Date (*i.e.*, December 15, 2017) or the effective date of a change in the A&M Policy or the Usage Policies until such time that it is reasonable to modify such conduct (as determined by Precious Cat) to be consistent with the A&M Policy or the Usage Policies (the **“A&M Policy Exemption”**).

Questions Applicable to both the EMAP Policy and the A&M Policy

24. Will Precious Cat consider requests for additional exemptions?

No, except in extraordinary situations.

25. What happens if a Retailer relies on one or more exemptions, but does not qualify for or abused it or them?

If Precious Cat determines that such Retailer does not qualify for or abused any or all of the EMAP Policy Exemptions or the A&M Policy Exemption, such exemption(s) with respect to such Retailer will be deemed withdrawn by Precious Cat retroactive to the Policy Effective Date or such other date specified by Precious Cat.

26. If a Retailer violates the EMAP Policy and later violates the A&M Policy, has it committed (a) one violation of each policy or (b) two violations of the Policies?

Both (a) and (b). But what is most important is that any violation of the EMAP Policy is combined with any violation of the A&M Policy to determine the number of times a Retailer has violated the Policies. So, the total violations of the Policies could be based on EMAP Policy violations, A&M Policy violations or both types taken together.

27. Are there other ways to violate the Policies?

Yes. Except as expressly authorized or directed by Precious Cat Notice or otherwise permitted by the Policies or to the extent limited to the EMAP Products as provided below, a Retailer (directly or through another party on behalf or for the benefit of such Retailer) using or engaging in any or all of the following terms, descriptions, conditions, offers or activities (or the substantive equivalent of any or all of them as determined by Precious Cat) in connection (directly or indirectly) with the offering of any or all Precious Cat Products using Electronic Marketing will be deemed to be a violation of the Policies:

- (a) **Sale Promotion**: Using (in meta tags or anywhere else) any or all of the terms "Precious Cat on sale," "Precious Cat sale," "Save on Precious Cat," "20% off Precious Cat" or the substantive equivalent (as determined by Precious Cat), except for and limited to any or all Discontinued Products and then only if each such use clearly indicates that only Discontinued Products are involved;
- (b) **Sign-up Discounts**: Each offer of a discount, rebate or coupon for (i) sign-up by an actual or potential customer (whether email or text sign-up, new customer sign-up or lapsed customer sign-up), (ii) referral of an actual or potential customer or (iii) the substantive equivalent (as determined by Precious Cat) of any or all of these terms or concepts;
- (c) **Strike-Throughs**: In connection with the offering of any or all of the EMAP Products, showing a strike-through of any EMAP(s) regardless whether one or more other prices is or are shown;
- (d) **Offers for "Likes"**: Offering a discount, coupon or rebate applicable to any or all of the EMAP Products in return for a Facebook "Like" or anything similar in intent or effect (as determined by Precious Cat) involving one or more social media;
- (e) **Price Variance**: If a price for an EMAP Product is shown in internet advertising or promotion permitted by the Policies and the price for such product varies (exclusive of applicable taxes and all shipping, delivery and insurance charges) across any or all of (i) the initial webpage mentioning, depicting or describing such product (if a price for such product appears on such page), (ii) the in-the-cart (or other container) price and (iii) the substantive equivalent of any or all of them as determined by Precious Cat;
- (f) **Invitations to Take Action**: An invitation to click, rollover, call, email visit a location (such as a website, store or showroom) or otherwise communicate to obtain a price, except indicating the ability of customers to make specific inquiries by telephone or email to obtain a price is permissible, as long as neither of the following (or the equivalent as determined by Precious Cat) is used to transmit Price Information: (i) automated call(s) or (ii) automated "bounce-back" email;
- (g) **Pick-up Discounts**: The offering of one or more pick-up discounts or the equivalent (as determined by Precious Cat), unless such offering or application does not take Net Adjusted Price below the relevant EMAP(s);
- (h) **Group Pricing**: With respect to the EMAP Products, the offer to group purchasers, except at price(s) no less than each applicable EMAP;
- (i) **Trade-ins**: Advertising or promoting a trade-in offer for one or more Precious Cat Products or any other product(s) in connection with or applicable to any or all of the EMAP Products, regardless whether a specific trade-in price or value is advertised or promoted;
- (j) **Itemization**: Except as otherwise directed by the Policies, on any and all proposals and quotations provided to or prepared for the benefit of any or all of such Retailer's potential and actual customers in connection with the offer of any or all of the EMAP Products (individually and collectively, "**Customer Communications**"), the failure of such Retailer to itemize the price charged for each of the products and services shown, referred to or otherwise included on or in such Customer Communications, regardless whether such Customer Communications contain(s) any reference to any or all of the EMAP Products;

- (k) Audit Compliance. Failure to promptly provide information requested by Precious Cat or otherwise cooperate with Precious Cat in auditing compliance by such Retailer with the Policies, which audit(s) may include without limitation one or more representatives of Precious Cat appearing at the place(s) of business of such Retailer and examining books and records related to such compliance; and
- (l) Circumvention: Each tactic which Precious Cat determines is intended to circumvent operation of the Policies.

28. How is the situation treated when a Retailer requests approval from Precious Cat under the Policies, but doesn't hear back?

If the approval of Precious Cat under the Policies is sought by a Retailer, the failure to obtain it no later than seven (7) days after the date of such request will be deemed to be a disapproval of each thing for which such approval is sought.

29. What do the Policies say about product availability?

The availability of any or all items of Precious Cat Products may be changed by Precious Cat any time, in which case, Precious Cat and each Authorized Distributor may without liability or penalty (a) cancel all pending orders (even if accepted) from a Retailer for such changed item(s) and (b) refuse to accept any new orders from a Retailer for such item(s).

30. What happens if a Retailer violates the Policies?

One or more of the following will occur following verification by Precious Cat to its satisfaction that a Retailer has violated the Policies:

Violation	Consequences
First Violation	Precious Cat will provide notice of such violation to such Retailer and may request that such Retailer remove or stop, or cause to be removed or stopped, such violation within the time period specified in such notice, which typically will be one of the following: (a) no later than twenty-four (24) hours or (b) by the conclusion of the period otherwise specified by Precious Cat (regardless whether any action need be taken, a violation has been accrued).
Second Violation	Effective as of the date specified in notice from Precious Cat to such Retailer and continuing for the next thirty (30) days, the authorization of such Retailer to purchase each stock-keeping unit (" SKU ") in the product family involved in the second violation (as determined by Precious Cat) will be immediately revoked by Precious Cat, so that all pending orders (even if accepted) from such Retailer will be cancelled and no new orders will be accepted from such Retailer for each such SKU.
Third Violation	Effective as of the date specified in notice from Precious Cat to such Retailer and continuing for the next sixty (60) days, the authorization of such Retailer to purchase each SKU in the product family involved in the third violation (as determined by Precious Cat) will be immediately revoked by Precious Cat, so that so that all pending orders (even if accepted) from such Retailer will be cancelled and no new orders will be accepted from such Retailer for each such SKU. (If the thirty (30) day period for the second violation of the Policies has not run and the third violation of the Policies involves the same product family as that of the second (as determined by Precious Cat), the sixty (60) day period will begin after the thirty (30) day period concludes.)
Fourth Violation	Effective as of the date specified in notice from Precious Cat to such Retailer and continuing until Precious Cat provides notice to such Retailer otherwise, if ever, the authorization of such Retailer to purchase any or all of the Precious Cat Products designated by Precious Cat (the " Designated Products ") will be immediately revoked by Precious Cat, so that all pending orders (even if accepted) from such Retailer will be cancelled and no new orders will be accepted from such Retailer for any or all of the Designated Products.
Continued Violations	If such Retailer fails to remove or stop, or cause to be removed or stopped, a violation within the time period specified by Precious Cat in the notice of such violation, such failure will be a subsequent violation of the Policies.
Additional Violations after the Fourth	In the event that, after the fourth violation of the Policies by such Retailer, either or both of the following is or are relevant: (a) the Designated Products do not include all Precious Cat Products or (b) Precious Cat provides notice to such Retailer that Precious Cat has re-authorized such Retailer to purchase any or all of the Designated Products, then each act or failure to act of such Retailer that constitutes a violation of the Policies (or is deemed by Precious Cat to be such a violation) will receive the same treatment as if a new fourth violation had then occurred.

31. How are violations of the Policies treated?

Each violation of the Policies is cumulative. Except as otherwise provided in the Policies, the consequences of each violation can take effect regardless whether the consequences for the preceding violation(s) are still running. The same act(s) or failure(s) to act may result in multiple violations.

32. If a Retailer buys from an Authorized Distributor and violates the Policies, how are the restrictions on product access enforced?

For each Retailer purchasing any or all Precious Cat Products from one or more Authorized Distributors, the Policies will be enforced through a Do-Not-Sell List provided to all Authorized Distributors. As used in the Policies, "**Do-Not-Sell List**" means Precious Cat Notice which indicates that (a) one or more individuals or entities is or are not authorized by Precious Cat to promote or sell Precious

Cat Products or (b) the authorization of a Retailer to promote and sell Precious Cat Products has been revoked in whole or part with respect to all such products or revoked only with respect to certain of such products.

33. Will a Retailer violating the Policies be warned first?

No. Precious Cat cannot provide any advance warning.

34. How are violations of the Policies handled if a Retailer sells Precious Cat Products through more than one business?

Unless Precious Cat designates otherwise, for purposes of compliance with the Policies, each business (regardless of the name(s) used and location(s)) directly or indirectly owned, operated or associated with a Retailer (as determined by Precious Cat) will be considered to part of such Retailer, so that each violation by any such business will be aggregated with that or those of each other such business and attributed to such Retailer.

35. Does Precious Cat have any recourse beyond the consequences described for violating the Policies?

Yes. The consequences of violating the Policies are non-exclusive and do not limit or waive in any way the legal, equitable and other remedies available to Precious Cat, particularly for conduct relating to Precious Cat Intellectual Property.

36. How are minimum advertised price policies (like the EMAP Policy) treated under the law?

At least four Supreme Court cases in the USA taken together—*U.S. v. Colgate* (1919), *Monsanto v. Spray-Rite* (1984), *Business Electronics v. Sharp* (1988) and *Leegin v. PSKS* (2007)—have recognized that a supplier may establish the terms and conditions under which it will sell its products, including the terms and conditions affecting retail price. Particularly in the resale pricing area, such terms and conditions should be determined by the supplier unilaterally, *i.e.*, without agreeing with any of its customers. Although there generally is more latitude in matters relating to minimum advertised price and advertising and marketing, Precious Cat will not discuss conditions of acceptance of the Policies nor solicit or accept any assurances of compliance in order to maintain the Policies as unilateral.

In Canada, a 2009 amendment to the Competition Act treats minimum advertised price policies as lawful, unless they can be proven on balance to be unreasonably anticompetitive—a standard that provides Precious Cat with considerable flexibility. The same test applies to the other restrictions in the Policies.

37. Do the concerns in the U.S. about discussing the Policies mean that Precious Cat cannot explain the Policies?

No. Precious Cat will answer questions about the Policies, but it will not do anything that may change the nature of the Policies into something other than unilateral. As a result, Precious Cat cannot give any warning to a Retailer violating the Policies, nor can it ask for or accept pledges of compliance from Retailers.

All questions or requests for additional information regarding the Policies and all information regarding potential violations of the Policies must be in writing and are to be addressed to the following person at Precious Cat responsible for the Policies (**"Policy Administrator"**):

Policy Administrator, Precious Cat, Inc., 1600 West Dartmouth Avenue, Englewood, CO 80110 USA
email: PolicyAdmin@preciouscat.com

Only the Policy Administrator or the Policy Administrator's designated representative(s) is or are authorized by Precious Cat to answer questions regarding the Policies, to comment on the Policies or to accept information regarding potential violations. Except for the Policy Administrator and such representative(s), no Precious Cat employee or independent sales representative has authority to comment upon or to take any action under the Policies.

38. Will Retailers that follow the Policies violate U.S. antitrust laws?

No. But they should avoid communicating to Precious Cat their acceptance of the Policies or their compliance with them. Honoring the Policies by offering or selling any or all of the EMAP Products at or above each relevant EMAP or avoiding certain conduct or the use of certain terms is not communicating acceptance or compliance.

39. If a Retailer notifies Precious Cat that another Retailer has violated the Policies, may Precious Cat act on this information?

Yes. Such notification must be in writing addressed to the Policy Administrator and document the apparent violation. Precious Cat will investigate and, if warranted, take action against the Retailer violating the Policies, as long as the Retailer that contacted Precious Cat does not agree with the company on a specific retail price. (Following the Policies is not an agreement.) In addition, Precious Cat will not disclose to the Retailer that contacts it the outcome of its investigation, as, although Precious Cat enforces its policies uniformly, all of the dealings between the company and its Retailers are confidential. Precious Cat also may use the services of one or more outside firms to monitor compliance with the Policies.

40. Why are the rules so strict?

In order to comply with the standards established by the law, Precious Cat must carefully stay within its boundaries.

41. How long will the Policies be in effect?

The Policies will remain in effect with respect to a Retailer until Precious Cat notifies it otherwise, but Precious Cat may modify or suspend the Policies at any time, including, among other things, by changing their terms and conditions in any way. It also may grant variances as it deems appropriate for limited-time promotional offers and the like.

42. Can Precious Cat add other products or services to the Policies and establish minimum offering prices for them, remove certain products or services from coverage under the Policies or change the EMAP for a EMAP Product?

Yes. Precious Cat may do so at any time.

43. Are other companies doing this?

Yes. Many manufacturers in the pet products and other industries and have adopted policies to address the same or similar concerns as those faced by Precious Cat.

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