

Notice Regarding California Transparency in Supply Chains Act of 2010

On January 1, 2012, the California Transparency in Supply Chains Act of 2010 (SB 657) (“Act”) went into effect in the State of California. The Act is an attempt to seek the elimination of slavery and human trafficking from product supply chains and requires that companies disclose their efforts to ensure that their supply chains are free from slavery and human trafficking. Nutraceutical opposes slavery and human trafficking in any form and urges governments and government agencies around the world to take measures to eradicate these activities by outlawing and prosecuting violators. We are committed to supporting these efforts as a small cap company in the United States if there are viable steps we can take. We describe our current practices below.

Overview of Natural Ingredient Sourcing

Nutraceutical currently sells over 7,000 SKUs of products which incorporate over 2,000 raw materials, with their ultimate sources likely including regions in virtually every country in the world. Many of these ingredients are planted and harvested using traditional techniques developed over centuries if not millennia, while others are harvested using modern techniques. The suppliers can range from large businesses to small, family-owned farms, co-ops and harvesting operations, where products are sometimes wild-crafted (i.e., harvested from the wild). In some traditional family operations, family members of all ages may participate together and support each other and in fact enjoy working together, just as many farming operations in the United States have done since the founding of this country. Since growing conditions can change from year to year and season to season, buyers who work for Nutraceutical and for the natural product suppliers we purchase from must source these materials from a wide variety of vendors, which can change from year to year or even season to season. All of these factors create a particularly challenging situation for any company of our size to make a meaningful contribution in this area.

Supply Chain Standards

Nutraceutical expects its suppliers to ensure that quality and safety standards are maintained throughout our supply chain by well-treated, fairly compensated workers in accordance with all applicable laws. Our current efforts include the following:

- **Standards:** Our contracts with our suppliers requires that they commit to us that they ensure that their activities and the activities of their suppliers comply with all applicable laws and regulations related to slavery and human trafficking as well as our Code of Ethics.
- **Verification and Audits:** On those occasions when our purchasing team members have the opportunity to visit suppliers, they are asked to take the opportunity to inspect storage, production and/or harvesting facilities and operations and ask appropriate questions. We do not normally engage third parties to do this.
- **Certification:** Our purchase terms contain a clause under which our direct suppliers certify to us that they comply with laws regarding slavery and human trafficking in the country or countries in which they do business.
- **Internal Accountability:** If we were to determine that an employee or contractor has violated a law regarding slavery and human trafficking, this would constitute grounds for termination of the employment or supply relationship.
- **Training:** Our purchasing personnel have been instructed to review these statements and our contracting terms and comply with them. Our Vice President over purchasing is responsible to ensure that existing employees and new hires are trained on these issues.