

## Formula Development and Product Manufacturing Agreement

This Formula Development and Product Manufacturing Agreement (“Agreement”) is entered into effective the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between Vermont Country Soap Corporation dba Vermont Soap (“Vermont Soap”), located at 183 Industrial Avenue, Middlebury Vermont, and \_\_\_\_\_, located at \_\_\_\_\_, hereafter known as ‘Client’.

### **Recitals:**

**Whereas** Vermont Soap is in the business of developing and manufacturing liquid, bar, and other soap, pet, and body care products; *and*

**Whereas** Client seeks to develop and market a new soap, pet, or body care product; *and*

**Whereas** Vermont Soap has extensive expertise in developing and manufacturing new formulas to private label specification; *and*

**Whereas** the parties wish to enter into an agreement for Vermont Soap to provide development and production services for one or more of Client’s products;

**Therefore**, the parties intending to be legally bound for and in consideration of the mutual promises hereinafter set forth, it is agreed by and between the parties as follows:

### ARTICLE 1 – DEFINITIONS

Unless the context otherwise requires, capitalized terms used herein shall have the meaning ascribed to them below:

1. Formula: The list amount, ratio, and order of ingredients, along with techniques used to produce a soap, pet, or body care product.
2. Experiment: Vermont Soap’s attempt to create a Formula approved by the Client.
3. Product: The final expression of a Formula, as approved by the Client, not including packaging or labels.
4. Satisfied: The Client is Satisfied and shall be deemed to have approved a Formula if the Client:
  - a. So states in writing.
  - b. Does not request more experiments without explicitly stating that it is unsatisfied with the latest experiment, or
  - c. Uses the Formula, or a significantly similar substitute, to produce any product.

### ARTICLE 2 – DEVELOPMENT OF A FORMULA

1. For each Product that the Client wishes to develop, the Client shall explain how it expects its Formula to be unique as a product in the marketplace. Client shall send to Vermont Soap a written description substantially in the form of Appendix A attached below, identifying, among other things, the ingredient(s), scent(s), or other feature(s) that will be unique to the Product.

2. Vermont Soap will endeavor to develop a Formula approved by the Client.
3. The parties contemplate an iterative process, including one or more sets of Experiments.
4. Experiments will be conducted at Vermont Soap's factory. Experiments will be performed in a manner to produce samples that share the characteristics of the desired final Product as closely as possible. Client acknowledges that Experiments may not scale up perfectly.
5. Each set of Experiments will consist of up to three different Formulas working towards the Product.
  - a. Sets of Experiments can be done concurrently or sequentially. The price for each set of Experiments shall be \$100.00.
6. During experimentation Vermont Soap will provide its own stocked ingredients. Special or exotic materials shall be provided by the Client.
  - a. The Client must appropriately label provided samples and ingredients.
7. Each Experiment will create two identical samples, one for each party to this Agreement.
  - a. All rights to the experimental Formula belong to Vermont Soap until approved by the Client.
  - b. Excess material from any Experiment is the property of Vermont Soap.
8. Experiment samples of liquid product will be sent to Client within approximately two weeks after the request is received by Vermont Soap. Experiment samples of solid product will be sent within approximately six weeks after the request is received by Vermont Soap.
9. Approval of a Formula and the resulting Product is the exclusive right of the Client.
10. If the Client is not satisfied with a Formula for a proposed Product, it is under no obligation to continue experimenting, and it can end its engagement with Vermont Soap with respect to that proposed Product at any time.
  - a. A Formula shall be deemed "not approved" (i) upon notice to that effect from the Client, or (ii) if the client ceases to communicate with Vermont Soap with respect to that Formula for more than 180 days. In either case, the parties' engagement with respect to that Formula and the proposed Product shall terminate.
  - b. Vermont Soap shall hold all manufacturing and ownership rights to any Formula that is not approved by the Client, and Client shall refrain from using the rejected Formula in any way.
11. If the Client approves a Formula, the Formula shall be owned by the Client; however, Vermont Soap shall have a license for the use of the Formula. Thereafter, the parties shall be bound to each other as hereinafter provided with respect to the use of the Formula and the manufacture and sale of the resulting Product.

### ARTICLE 3 – RIGHTS OF THE PARTIES WITH RESPECT TO APPROVED FORMULAS AND PRODUCTS

1. Subject to the other provisions of this Article 3:
  - a. The Client shall enjoy exclusive marketing rights for the Product, but shall not share the Formula with, or attempt to authorize the manufacture of the Product by, any third person; nor shall it manufacture the Product itself.

- b. Vermont Soap shall enjoy exclusive manufacturing rights for the Product, but shall not share the Formula with any third party, manufacture the Product for any third party, attempt to market the Product for its own account, or use the Formula for any other product.
2. The exclusive aspect of Client's marketing rights for any Product shall terminate if:
  - a. With respect to a given Product, Client does not stay current on invoices and falls into arrears for more than 180 days.
  - b. With respect to all Products, Client becomes insolvent or a petition for bankruptcy is filed by or against it.
3. In the event the exclusive aspect of Client's marketing rights shall terminate as provided above, Vermont Soap's license to use the applicable Product(s) shall become irrevocable and unlimited, and Vermont Soap shall be entitled to further license the Formula and/or manufacture and market the Product(s) for its own account and/or for third persons.
4. Vermont Soap's exclusive manufacturing rights and license shall terminate if:
  - a. With respect to all Product(s), Vermont Soap becomes insolvent or a petition for bankruptcy is filed by or against it.
  - b. With respect to a given Product, (i) Client purchases at least \$5,000 worth of that Product from Vermont Soap each year for five consecutive years; (ii) Client pays Vermont Soap a lump sum of \$25,000 at any point and designates such payment as a buy-out of Vermont Soap's license for that Product; or (iii) Client pays \$25,000 to Vermont Soap, less the amount paid by Client to Vermont Soap for purchases of that Product during the five-year period preceding the date of payment and, in addition, designates such payment as a buy-out of Vermont Soap's license for that Product.

#### ARTICLE 4 – PRODUCTION STIPULATIONS

1. Client shall be responsible for shelf stability, as Experiments are only proof of concept. Vermont Soap will advise as to its prior experience, if any, with similar products.
2. The Product must have a container that complies with applicable regulatory requirements.
  - a. Vermont Soap will use its experience to work with the Client to select an appropriate container for the Product.
  - b. The Client can provide its own container, subject to Vermont Soap's approval after testing the container to make sure it will be useable under factory conditions.
3. The Product must have a legally viable label, including regulated product claims if the Client chooses to make organic or otherwise regulated claims about the Product.
  - a. Vermont Soap will offer its advice and experience in this process, but client shall assume responsibility for compliance.
4. Client is responsible for purchasing its own labels.
  - a. Vermont Soap offers its advice and experience in this endeavor.
5. The Client has final approval of its labels; however Vermont soap, in order to protect itself, may decline to use any label it knows to be a violation of any regulatory requirements.

ARTICLE 5 – GENERAL AND MISCELLANEOUS

1. This Agreement supersedes all previous written or oral agreements. In the event of any conflict between the provisions of this Agreement and a provision of any concurrent oral agreement, this Agreement shall control and govern.
2. Failure to exercise right created by this Agreement in any one instance shall not waive that right in any other instance nor affect any other right.
3. If any provision of this Agreement is found to be unenforceable, the balance of this Agreement shall not be affected and shall remain enforceable to the greatest extent possible.
4. Signers warrant that they have full legal authority to execute this Agreement.
5. Notwithstanding any law of any jurisdiction pertaining to conflict of laws, this Agreement shall be governed by and interpreted in accordance with laws of the State of Vermont. Jurisdiction shall lie exclusively with the Vermont Superior Court, with exclusive venue in Addison Unit. The parties consent to the personal jurisdiction of Vermont Superior Court.
6. Nothing herein precludes resolution of any dispute informally, by mediation, or by binding arbitration, provided that the parties so agree in the circumstances. However, in the event of an inability to agree or in the event that any such effort proves fruitless, this Agreement may be enforced by any remedy available at law or in equity, and the prevailing party shall be entitled to recover its costs and expenses reasonably incurred therein including, without limitation, reasonable attorney fees.

IN WITNESS WHEREOF, the parties have caused this Agreement to be subscribed by their respective authorized agents.

**Vermont Country Soap Corporation dba Vermont Soap**

By Larry Plesent, CEO and authorized agent

**Client:** \_\_\_\_\_

**By** \_\_\_\_\_  
Its authorized agent (please print)

**Signature:** \_\_\_\_\_

**VERMONT SOAP WORK ORDER FOR PRODUCT DEVELOPMENT – Appendix A**

**Client:** \_\_\_\_\_

**Date submitted:** \_\_\_\_\_

**Client's Description of Desired Product:**

**Identification of Ingredients to be provided by Client:**

**Description of Scent Desired:**

**Unique aspect(s) / identifier(s) of the product:**

**Authorized by:**

**(Signature)** \_\_\_\_\_