

**XZIEX™**  
**STATEMENT OF POLICIES AND PROCEDURES**

1. XzieX, hereinafter "Company," is a direct selling Company marketing home and personal care products and other products and services to the consumer through independent distributors. The policies and procedures herein are applicable to all independent distributors of the Company.
2. A distributor is one who has completed a Company application and agreement and has been accepted by the Company as a distributor. The Company reserves the right to accept or reject anyone as a distributor.
3. All distributors must be the age of majority in the state in which they distribute Company products and services.
4. Unless waived in writing by the Company upon application, the Company will consider each married couple a single distributor. Husbands and wives may not sponsor each other directly or indirectly, nor have different sponsors. If one spouse is already a distributor, the nonparticipating spouse may elect to become a distributor, but must join the same distributorship as his or her spouse. The Company reserves the right to reject any applications for new distributorships or applications for renewal. Should a husband/wife distributor divorce, they should notify the Company as to how the distributorship is to be managed thereafter. Otherwise, the Company will recognize the final judicial or adjudicatory disposition of the distributorship.
5. Distributors are independent marketing representatives of the Company and are not to be considered purchasers of a franchise or a distributorship. The agreement between the Company and its distributors does not create an employer\employee relationship, agency, partnership, or joint venture between the Company and the distributors. Each distributor shall hold harmless the Company from any claims, damages or liabilities arising out of distributor's business practices. Company distributors have no authority to bind the Company to any obligation. Each distributor is encouraged to set up his\her own hours and to determine his\her own methods of sale, so long as he\she complies with the policies and procedures of the Company.
6. Transaction Submission Integrity. It is essential to the success of the Company, its distributors and customers that submissions of transactions to the Company maintain integrity of communication. It is to be expected that all transactions submissions to the Company, including, but not limited to, distributor applications, distributor communication, distributor financial transactions and consumer transactions, be submitted by the individual or entity involved in the transaction. Third party submission of any and all transactions submissions is prohibited. A distributor may not communicate any transactions submissions on behalf of another distributor, distributor applicant or customer. A distributor may not use his or her credit card or bank account on behalf of another individual or distributor. This rule is applicable to any and all forms of transactions submissions, including, but not limited to, online, telephone, fax, email, etc.
7. In the conduct of its business, the distributor shall safeguard and promote the reputation of the products and services of the Company and shall refrain from all conduct which might be harmful to such reputation of the Company or to the marketing of such products and services or inconsistent with the public interest, and shall avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. A distributor shall not

interfere with, harass or undermine other distributors and, at all times, shall respect the privacy of other distributors. A distributor must not disparage the Company, its affiliate entities, other Company distributors, Company products and/or services, the marketing and compensation plans, or Company employees.

8. The company's program is built upon retail sales to the ultimate consumer. The company also recognizes that distributors may wish to purchase product or service in reasonable amounts for their own personal or family use. For this reason, a retail sale for bonus purposes shall include sales to nonparticipants, as well as sales to distributors for personal or family use which are not made for purposes of qualification or advancement. It is company policy, however, to strictly prohibit the purchase of product or large quantities of inventory in unreasonable amounts solely for the purpose of qualifying for bonuses or advancement in the marketing program. Distributors may not inventory load nor encourage others in the program to load up on inventory. Distributors must fulfill published personal and downline retail sales requirements, including requisite retail sales to nonparticipants, as well as supervisory responsibilities, to qualify for bonuses, overrides or advancements.
9. Any distributor, who sponsors other distributors, must fulfill the obligation of performing a bona fide supervisory, distributing and selling function in the sale or delivery of product to the ultimate consumer and in the training of those sponsored. Distributors must have ongoing contact, communication and management supervision with his or her sales organization. Examples of such supervision may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, training sessions, and accompanying individuals to Company training, sharing genealogy information with those sponsored. Distributors should be able to provide evidence to the Company semiannually of ongoing fulfillment of sponsor responsibilities. If a distributor is an Enroller in the marketing program entitled to Enroller bonuses, then the Enroller is obligated to the same responsibilities of supervisory, communication and training activities with respect to distributors he or she has enrolled, irrespective of whether the Enroller is also the Sponsor of those distributors.
10. Company Retail/70 Percent Policy. The Company sales and marketing program is based upon retail sales to the ultimate consumer. Every aspect of the program is designed to assist our distributors in the marketing of fine products and services to the general consuming public. As a dual consumer safeguard, of the utmost importance to the Company is the policy that distributors should purchase products and services in commercially reasonable quantities, and under no circumstances may distributors cause others to purchase products or services in amounts that are not reasonably expected to be sold to the consuming public or in unreasonable amounts for personal or family use. In furtherance of these policies, the Company has adopted specific rules on retail sales and retailing referenced as the Company retail/70 percent rules. In the interest of protecting the consumer and the opportunity of its distributors, the Company enforces this rule through a verification program.

Company Retail/70 Percent Rule.

a. Retail Rule.

Although the primary function of the Company is to sell products and services to the general consuming public, the Company realizes that its distributors may wish to purchase product for personal or family use in reasonable amounts. For this reason, the Company defines a

retail sale to include sales to nonparticipants, as well as purchases for personal or family use in reasonable amounts, which are not made solely for purposes of qualification or advancement. This is a standard followed by leading direct selling companies. Notwithstanding this policy, the Company, in order to specifically further retail selling, has adopted a requirement that a distributor will not be eligible for bonuses or overrides unless he or she has made at least 5 (five)\* sales per month to nonparticipant retail customers.

\*Retail sales rule requiring sales of company products to at least five (5) non-participants retail customers per month. Representative will be allowed a “ramp up” period during the first 6 months to meet the five (5) customer rule. During this “ramp up” period, the Representative’s sales can be accumulated as follows: Month one, accumulate 1; month 2, accumulate two; month 3, accumulate three; month 4, accumulate four; and month 5, accumulate five. Thereafter, maintain 5 active retail customers plus maintenance requirements according to the rules of the current published compensation plan to be considered eligible for all commissions. After the 6 month grace period, should a representatives’ newly acquired customers or repeat accessory product customers fall below the 5 minimum required, at the option of the company, no commissions or bonuses will be paid.

b. 70 Percent Rule.

As with other leading direct selling companies, the Company has adopted a 70 percent rule. Under this rule, company distributors may not order additional product unless they have sold or used for personal or family use at least 70 percent of previously purchased inventory-type product. This verification form is also intended to support the 70 percent rule policy.

Retail Sales/70 Percent Rule Audit Verification Program.

In its effort to support and enforce the retail sales/70 percent rule, the Company on a quarterly basis will conduct random audit verification follow-ups. Representatives of the Company will contact distributors to further verify compliance with the retail sale/70 percent rule. Distributors should maintain records and be prepared to assist Company representatives in their task.

11. Sales Volume Qualification by Order Taking. As with other leading direct selling companies, the Company has adopted minimum personal and group sales volume requirements. With respect to tangible products, which may be offered for purchase for resale, minimum sales volume requirements may also be fulfilled by taking orders from retail customers which will be fulfilled or drop-shipped by the Company directly to the retail customer.
12. All distributors are responsible for paying local, state and federal taxes due on earnings from commissions or any other earnings generated as a seller of Company products and services. The Company will collect sales tax on behalf of the distributor, then report and distribute applicable sales taxes to the taxing entity for the state in which the sale is made. Distributors may apply for a waiver of this practice by submitting a copy of their sales and use tax number (and a statement that they are wholesale purchasers purchasing for resale)

acquired through their local taxing authorities.

13. Company distributors shall not advertise Company products and services and/or marketing plans except as specifically approved by the Company. Company distributors agree to make no false or fraudulent representations about the Company, the products, the Company compensation plan, or income potentials.
14. All distributors are required to purchase a sales kit at the time of submission of their distributor application to the Company. The sales kit is sold "at Company cost." This sum is not a service or franchise fee, but rather is strictly to offset costs incurred by the Company for educational and business materials required for an independent distributor of the Company. No product or service purchase by the distributor is required. Data processing fees, if any, will be deducted from commissions and bonuses.
15. Trademark, Trade Names, Advertising.
  - a) The name of the Company and other names as may be adopted by the Company are proprietary trade names and trademarks of the Company. As such, these marks are of great value to the Company and are supplied to distributor for distributor's use only in an expressly authorized manner. Distributor agrees not to advertise the Company products or services in any way other than the advertising or promotional materials made available to distributor by the Company. Distributor agrees not to use any written, printed, recorded or any other material in advertising, promoting or describing the products or services or the Company marketing program, or in any other manner, any material which has not been copyrighted and supplied by the Company, unless such material has been submitted to the Company and approved in writing by the Company before being disseminated, published or displayed.
  - b. The distributor, as an independent contractor, is fully responsible for all of his\her verbal and written statements made regarding the product or service and marketing program which are not expressly contained in writing in the current distributor agreement, and advertising or promotional materials supplied directly by the Company. Distributor agrees to indemnify the Company and hold it harmless from any and all liability including judgments, civil penalties, refund, attorney fees, court costs or lost business incurred by the Company as a result of distributor's unauthorized representations.
  - c. The Company will not permit the use of its copyrights, designs, logos, trade names, trademarks, etc. without its prior written permission.
  - d. All Company materials, whether printed, on film, produced by sound recording, or on the internet, are copyrighted and may not be reproduced in whole or in part by distributors or any other person except as authorized by the Company. Permission to reproduce any materials will be considered only in extreme circumstances. Therefore, a distributor should not anticipate that approval will be granted.
  - e. A Company distributor may not produce, use or distribute any information relative to the

contents, characteristics or properties of Company product or service which has not been provided directly by the Company. This prohibition includes but is not limited to print, audio or video media.

- f. A Company distributor may not produce, sell or distribute literature, films or sound recordings which are deceptively similar in nature to those produced, published and provided by the Company for its distributors. Nor may a distributor purchase, sell or distribute noncompany materials which imply or suggest that said materials originate from the Company.
  - g. Any display ads or institutional or trademark advertising copy, other than covered in the foregoing rules, must be submitted to the Company and approved in writing by the Company prior to publication.
  - h. All advertising copy, direct mailing, radio, TV, newspaper and display copy must be approved in writing before being disseminated, published or displayed with the exception of blind ads where no reference is made to the Company name or product name.
  - i. No claims as to therapeutic or curative properties about the products may be made except those officially approved in writing by the Company or as contained in the official Company literature. In particular, no distributor may make any claim that the Company products are useful in the treatment or cure of any disease. Such statements can be perceived as medical claims. Not only is this totally against Company policy, but it is also against the laws governed by the United States Food and Drug Administration.
16. The Company maintains an official corporate website. Distributors are allowed to advertise on the internet through an approved Company program which allows distributors to choose from among Company home page designs that can be personalized with the distributor's message and the distributor's contact information. These websites link directly to the Company website giving the distributor a professional and Company-approved presence on the internet. Only these approved websites may be used by distributors. No distributor may independently design a website that uses the names, logos, product or service descriptions of the Company, nor may a distributor use "blind" ads on the internet making product or income claims which are ultimately associated with Company products, services or the Company's compensation plan. Any person using Company names, logos, trademarks, etc. on the internet or any other advertising medium, except as permitted by Company Rules and Regulations, shall be subject to immediate discipline, including termination of distributor status.
17. Prohibition of Sales on Unauthorized Internet Sites. Except with written authorization from the Company, a distributor may not sell nor promote Company products on unauthorized internet sites, including, but not limited to auction sites such as eBay, nor internet shopping sites, nor internet malls.
18. Unsolicited Email. The Company does not permit distributors to send unsolicited commercial email to others unless such emails strictly comply with applicable laws and regulations including, without limitation, the federal CAN SPAM Act.

Any email sent by a distributor that promotes the Company, the Company opportunity or Company products and services must comply with the following:

- a. There must be a functioning return email address to the sender.
- b. There must be a notice in the email that advises the recipient that he or she may reply to the email, via the functioning return email address, to request that future email solicitations or correspondence not be sent to him or her (a functioning "opt-out" notice).
- c. The email must clearly and conspicuously disclose that the message is an advertisement or solicitation.
- d. The use of deceptive subject lines and/or false header information is prohibited.
- e. All opt-out requests, whether received by email or regular mail, must be honored. If a distributor receives an opt-out request from a recipient of an email, the distributor must forward the opt-out request to the Company.

19. Unsolicited Faxes and Spam. Except as provided in this section, distributors may not use or transmit unsolicited faxes, mass email distribution, unsolicited email, or "spamming" or use an automatic telephone dialing system relative to the operation of their Company businesses. Unsolicited broadcast distribution of email or other distribution that may be defined as "bulk mail" or "SPAM" is strictly prohibited. Distributors may send "general mailings" only to other distributors in their downline organizations and their direct up-line sponsors. Any other bulk use of email is prohibited.

The term "automatic telephone dialing system" means equipment, which has the capacity to:

- a. Store or produce telephone numbers to be called, using a random or sequential number generator; and
- b. To dial such numbers.

The terms "unsolicited faxes" and "unsolicited email" mean the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting the Company, its products, its compensation plan or any other aspect of the Company which is transmitted to any person, except that these terms do not include a fax or email:

- a. To any person with that person's prior express invitation or permission; or
- b. To any person with whom the distributor has an established business or personal relationship. The term "established business or personal relationship" means a prior or existing relationship formed by a voluntary two-way communication between a distributor and a person, on the basis of:
  - (1) An inquiry, application, purchase or transaction by the person regarding products offered by such distributor; or
  - (2) A personal or familial relationship, which relationship has not been previously terminated by either party.

20. Retail Establishments. Company products or services may only be displayed and sold in retail establishments where the nature of the business is to make appointments with customers (such as salons, doctors' offices, and health clubs where appointments are made for personal training or classes are scheduled) the sale of such products or services within such retail facilities must be conducted by a distributor and must be preceded by a discussion where the distributor introduces the prospect to the products or services and opportunity just as they would if they had met outside of the retail facility. Company produced literature, banners, or signage only may be displayed on a shelf, counter, or wall and must be displayed by itself. Products or services may not be sold from a shelf or taken from a display for purchase by a customer. Company products or services may not be sold in any retail establishment, even by appointment, if competitive products or services are sold in the establishment. From time to time, the Company may announce policies and rules that expand or contract restrictions on sales in retail establishments.
21. Trade Shows. With written authorization from the Company, Company products or services and opportunity may be displayed at trade shows by distributors. Request for participation in trade shows must be received in writing by the Company at least two weeks prior to the show. Written authorization from the Company must be received before participating in the trade show. Unless written authorization is secured from the Company, Company products or services and opportunity are the only products or services and/or opportunity that may be offered in the trade show booth. Only Company produced marketing materials may be displayed or distributed. No distributor may sell or promote the Company's products or services or business opportunity at flea markets, swap meets, or garage sales.
22. International Sales. No independent distributor may export or sell directly or indirectly to others who export the Company's products, literature, sales aids or promotional material relating to the Company, its products or services or the Company's program from the United States or its possessions or territories to any other country. Independent distributors who choose to sponsor internationally may do so only in countries in which the Company has registered to operate its business and must comply fully with the Rules of Operation of a Company distributorship in that country. Any violation of this rule constitutes a material breach of this contract and is grounds for immediate termination of the distributorship.
23. The Company reserves the right to approve or disapprove distributor's change of business names, formation of partnerships, corporations, and trusts for tax, estate planning, and limited liability purposes. If the Company approves such a change by distributor, the organization's name and the names of the principals of the organization must appear on the distributor application agreement along with a social security number or federal identification number. It is prohibited to make changes to attempt to circumvent or violate Company rules on raiding, solicitation, targeting, cross-sponsoring or interference.
24. The independent distributor agreement may be canceled at any time and for any reason by a distributor notifying the Company in writing of the election to cancel.
25. If a distributor elects not to renew his/her distributor agreement, all rights to bonuses, marketing position and wholesale purchases cease. The terminated distributor's sales organization shall be transferred to his/her sponsor.

26. If the independent distributor has purchased products for inventory purposes or mandatory sales aids while the distributor agreement was in effect, all products in a resalable condition then in possession of the independent distributor, which have been purchased within 90 (days) of cancellation, shall be repurchased. The repurchase shall be at a price of not less than ninety percent (90%) of the original net cost to the participant returning such goods, taking into account any sales made by or through such participant prior to notification to the Company of the election to cancel. Buyback is 12 months in Massachusetts, Maryland, Montana, Georgia, Louisiana, Wyoming, Texas, Oklahoma, Idaho, Utah, Washington and Puerto Rico. In addition, the company will honor statutory mandated buyback requirements of every jurisdiction.
27. The Company shall be entitled to change product or service prices at any time and without notice, and to make changes in the statement of policy and procedures.
28. Each distributor shall comply with all state and local taxes and regulations governing the sale of Company products or services.
29. Notwithstanding the Company's longer retail customer guarantee policy, all retail sales must comply with the FTC Three-Day Cooling Off Rule which requires statutory language and notice of cancellation on the retail sales receipt. The three-day right of cancellation must be orally explained to the customer and the customer must receive two copies of the notice of cancellation form.
30. Company distributors, as independent contractors, are free to sell or market consumer products or services other than the company's products with certain restrictions; however, a company distributor shall not engage in any recruiting or promotion activity that targets company distributors for opportunities or products of other direct selling companies or business opportunities, either directly or indirectly, by themselves or in conjunction with others, nor shall a distributor participate, directly or indirectly, in interference, raiding or solicitation activity of Company distributors for other direct selling companies or business opportunities. This prohibition shall be in effect during the term of the distributor agreement and for a period of one (1) year after the termination of the distributor agreement. Additionally, no recruiting for other business ventures is authorized at any company function. Failure to comply with this recruiting and cross-sponsoring policy shall cause a company consultant's distributorship to be subject to cancellation
31. On a periodic basis, the Company will supply data processing information and reports to the distributor, which will provide information concerning the distributor's downline sales organization, product purchases and product mix. The distributor agrees that such information is proprietary and confidential to the company and is transmitted to the distributor in confidence. The distributor agrees that he or she will not disclose such information to any third party directly or indirectly, nor use the information to compete with the company directly or indirectly during or after the term of the agreement. The distributor and the company agree that, but for this agreement of confidentiality and nondisclosure, the Company would not provide the above confidential information to the distributor. A distributor seeking to sell his/her distributorship must acknowledge and agree to this provision prior to the finalization of the sale of their distributorship.

32. Vendor Confidentiality. The Company's business relationship with its vendors, manufacturers and suppliers is confidential. A distributor shall not contact, directly or indirectly, or speak to or communicate with any representative of any supplier or manufacturer of the Company except at a Company sponsored event at which the representative is present at the request of the Company. Violation of this regulation may result in termination and possible claims for damages if the vendor/manufacturer's association is compromised by the distributor contact.

33. Change in Status.

Marriage: Two Company distributors who marry after having established their own individual distributorships may continue to operate their existing distributorships, as long as they do not originate from the same line. If they originate from the same line, then the married couple has the choice of either selling or resigning from one of their distributorships, at their discretion.

Divorce: Should a married couple become divorced, they agree to notify the Company as to who will assume responsibility for the distributorship in one of the following manners:

- a. Written notarized agreement signed by both parties indicating who will retain the distributorship.
- b. A court order delineating who receives custody over the distributorship.
- c. Both parties may choose to retain their joint distributorship and operate it as a partnership.

**The divorced distributor may apply for a new distributorship without having to wait 12 months.**

Death: Upon the death of a distributor, the rights and responsibilities of the distributorship may be passed on to the rightfully legally documented heir as long as that person has filled out a new distributor application and completed the required training.

Disability: Should a distributor become disabled to the extent that he/she can no longer fulfill the required duties of the Company distributor, such disabled consultant's legal representative or conservator shall:

- a) Contact the Company within thirty (30) days of the disability and advise the company of the distributor's status and the plans for future management or cancellation of the distributorship.
- b) Provide notarized or court confirmed copy of appointment as legal representative or conservator.
- c) Provide notarized or court confirmed copy of document establishing right to administer the company business.
- d) Should the legal representative or conservator plan to continue the business of the distributorship, then he/she shall fill out a new distributor application and receive the required training consistent with the disabled distributor's level at the time of disability. These requirements shall be satisfied within a deadline of six months.

34. Sale or Transfer. A distributor may not sell, assign or otherwise transfer his or her distributorship, marketing

position or other distributor rights without written application and approval by the Company. This paragraph is also applicable to transfer of any interest in an entity that owns a distributorship, including but not limited to corporation, partnership, trust or other non-individual entity. The potential buyer must be at the equivalent or higher rank as the selling distributor or have been a Company distributor for at least a one-year period prior to the sale. The distributorship must be offered in writing first to the distributor's sponsor. If the sponsor declines the offer, the distributor may offer the distributorship for sale to other qualified Company distributors, but only on the same terms and conditions as offered to the sponsor. A distributor who sells his or her distributorship shall not be eligible to requalify as a distributor for a period of at least six months after the sale. The Company reserves the right to review the sale agreement and to verify waiver from the upline sponsor in the event the upline sponsor declines to purchase the distributorship.

A distributor may not add a co-applicant to their distributorship and thereafter, remove their name from the distributorship, as an effort to circumvent the Company's sale, assign, delegate or merger procedure. The primary distributor must wait twelve (12) months after adding a co-applicant to the distributorship before they are allowed to remove their name from the distributorship. It is prohibited to use a sale or transfer to attempt to circumvent Company policy on raiding, soliciting, cross-sponsoring or interference.

For the term of three (3) years after sale or transfer, a distributor agrees that he/she shall not, directly or indirectly, disrupt, damage, impair or interfere with the business of Company, whether by way of interfering with, or raiding its employees or distributors, disrupting its relationship with customers, agents, representatives, distributors, suppliers, vendors or manufacturers or otherwise. "Disrupting" or "interfering" shall include, but not be limited to, direct or indirect solicitation or recruitment for other direct selling business opportunities or products or services of other direct selling companies. A distributor seeking to sell or transfer his/her distributorship must acknowledge and agree to this provision prior to the finalization of the sale or transfer of their distributorship.

35. This statement of policies and procedures is incorporated into the independent distributorship agreement and constitutes the entire agreement of the parties regarding their business relationship.
36. The Company expressly reserves the right to alter or amend prices, Rules and Regulations, Policies and Procedures, product availability and compensation plan. Upon notification, in writing, such amendments are automatically incorporated as part of the agreement between the Company and the distributor. Company communication of changes may include, but shall not be limited to mail, email, fax, posting on the Company website, publication in company newsletters or magazines, etc.
37. Non-Individual Ownership. A partnership or corporation may be a distributor. However, no individual may participate in more than one (1) distributorship in any form without express written permission from the Company. Only in the most extreme and extraordinary circumstances will this be considered.
  - a) A distributorship may change status under the same sponsor from individual to partnership or corporation or from partnership to corporation with proper and complete documentation.
  - b) To form a new distributorship as a partnership or corporation or to change status to one of these forms of business, you must request a partnership/corporation form from the corporate

home office. This form must be submitted detailing all partners, stockholders, officers or directors in the partnership or corporation. The partner or officer who submits the form must be authorized to enter into binding contracts on behalf of the partnership or corporation. In addition, by submitting the partnership/corporation form, you certify that no person with an interest in the business has had an interest in a distributorship within three (3) months of the submission of the form (unless it is the continuation of an existing distributorship that is changing its form of doing business).

38. Individual and Entity Ownership Information.

- a) An individual can have only one distributorship in the company. He/she may not own any other distributorship, either individually or jointly, nor may he/she participate as a partner, owner, stockholder, trustee, director, or association member in more than one distributorship in any form.
- b) An individual shall provide the Company with a Social Security Number or a Taxpayer Identification Number (TIN) on an IRS W-9 form. No individual operating under a fictitious name and no partnership, corporation or other business entity may become a company distributor without submitting an "Entity Information" form following enrollment of proprietorship, corporation, Limited Liability Corporation (LLC), trust or partnership.
  - (1) Proprietorship: A copy of fictitious name filing must be submitted, plus a W-9 form.
  - (2) Corporation: Copies of articles of incorporation are required, including the page with state seals and notarization. These articles will show who the principals are and prove validation of Federal ID Number/Business Number/E.I.N, plus a W-9 form.
  - (3) LLC: IRS acceptance only. The name on the IRS acceptance is required to state the LLC in order to use it as an LLC, plus a W-9 form.
  - (4) Trust: An affidavit of trust with the notarized copy of the power of attorney is necessary. If Federal ID Number is to be used and is not noted in the affidavit, an IRS acceptance will be required, plus a W-9 form.
  - (5) Partnership: To register as a partner, complete the partnership portion of the Entity Information form, along with all signatures that apply, plus a W-9 form.

39. Entity Guarantee for Owners: Although Company has offered distributors the opportunity to conduct their distributorship as corporate, LLC, trust or partnership entity, those entities are under the control of its owners and principals, the actions of individual owners or beneficiaries as they may affect Company's business. Therefore, it is agreed that actions of individual owners or beneficiaries as they may affect Company and the distributorship are also critical to Company's business. Therefore it is agreed that actions of the ownership entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related or interested parties and the actions of such parties, which are in contravention to Company's policies shall be attributable to the corporate, LLC, trust or partnership entity.

In the event that any of the ownership entity shareholders, officers, directors, trustees, beneficiaries,

agents, employees or other related parties shall terminate ownership interests in the distributorship, any breaching actions by such parties that continue to have a beneficial financial interest, directly or indirectly, in the distributorship shall be attributable to the distributorship.

40. Members of Same Household; Responsibility. Members of distributor's household may operate together as one Company distributorship, but may not become separate Company distributors. Household is defined as husband, wife, and dependents. Note: Children of legal age to contract and at least 18 years of age are not considered a part of their parents' household.

Company recognizes that members of the same household may belong to competing direct selling opportunities. Although the actions of the parties are normally in good faith, in some circumstances, there is an abuse of relationships in which the non-company household member is engaged in recruitment, solicitation or raiding of the Company sales organization. Since the household member that has an ownership interest in the Company distributorship is in the best position to be responsible to prevent raiding or cross-sponsoring activity by their co-household member, the cross-recruiting activity of the non-company household member shall be attributed to the Company distributorship, subjecting the distributorship to discipline or termination.

41. Disciplinary Actions. A distributor's violation of any policies and procedures, the agreement, terms and conditions or any illegal, fraudulent, deceptive, or unethical business conduct may result, at the Company's discretion, in one or more of the following disciplinary actions:
- a) Issuance of a written warning or admonition.
  - b) Imposition of a fine, which may be imposed immediately or withheld from future commission checks.
  - c) Reassignment of all or part of a distributor's organization.
  - d) Suspension, which may result in termination or reinstatement with conditions or restrictions.
  - e) Termination of the distributor.

42. The Company reserves the right to terminate any distributorship at any time for cause when it is determined that the distributor has violated the provisions of the distributor agreement, including the provisions of these policies and procedures as they may be amended or the provisions of applicable laws and standards of fair dealing. Such involuntary termination shall be made by the Company at its discretion. Upon an involuntary termination, the Company shall notify the distributor by mail at the latest address listed with the Company for the distributor. In the event of a termination, the terminated distributor agrees to immediately cease representing him/herself as a distributor.

43. Termination.
- a) When a decision is made to terminate a distributorship, the Company will inform the distributor in writing that the distributorship is terminated immediately, effective as of the date of the written notification. The termination notice will be sent by certified mail to the distributor's address on file with the Company.
  - b) The distributor will have 15 days from the date of mailing of the certified letter in which to appeal the termination in writing, and provide written response to the finding of violations of Company agreement, policies and/or rules. The distributor's appeal and/or response

correspondence must be received by the Company within 20 days of the Company's termination letter. If the appeal is not received within the 20-day period, the termination will be automatically deemed final.

- c) If a distributor files a timely appeal of termination, the Company will review and reconsider the termination, consider any other appropriate action, and notify the distributor of its decision. The decision of the Company will be final and subject to no further review. In the event the termination is not rescinded, the termination will be effective as of the date of the Company's original termination notice.

44. All distributors have the right to sponsor others. In addition, every person has the ultimate right to choose his/her own sponsor. If two distributors should claim to be the sponsors of the same new distributor, the Company shall regard the first application received by the corporate home office as controlling.

- a. As a general rule, it is good practice to regard the first distributor to meaningfully work with a prospective distributor as having first claim to sponsorship, but this is not necessarily controlling. Basic tenets of common sense and consideration should govern.
- b. As a convenience to its distributors, the Company may provide various methods of registering or informing the Company of newly sponsored distributors, including online internet registration, telephone registration and facsimile registration. Until such time as the Company receives an application, either as hard copy or by facsimile, containing all appropriate information, as well as the signature of the proposed new distributor, the Company will only consider the internet, telephone or facsimile registration in the category of "intended" recognition of sponsor. Thus, although the Company is attempting to create some convenience for its sponsoring distributors, it is the responsibility of the sponsoring distributor to cause delivery to the Company of a completed and signed distributor agreement if the sponsor is to expect formal recognition as the official sponsoring distributor.
- c. There is no "magic" involved in the Company or in any business. Those who sponsor widely but who do not help new distributors develop their business meet with limited success. Therefore, a responsibility of sponsorship is to work with new distributors, helping them learn the business and encouraging them during the critical early months.
- d. Sponsors are not required to carry inventory of products or sales aids for new distributors. When tangible product is involved, distributors who do so, however, find building a major sales organization much easier because of the decreased response time in meeting a new distributor's needs.

45. Transfer of Sponsorship. Transfer is rarely permitted and is actively discouraged. Maintaining the integrity of sponsorship is absolutely mandatory for the success of the overall organization.

- a) Transfers will generally be approved in three (3) circumstances only:
  - (1) In the case of unethical sponsoring by the original sponsor. In such cases, the Company will be the final authority.
  - (2) With the written approval of the immediate five (5) upline sponsors.
  - (3) Resigning from the Company entirely and waiting three (3) months to reapply under the new sponsor.

- (4) In cases of unethical sponsoring, the individual may be transferred with any downlines intact; in all other events, the individual alone is transferred without any downline distributors being removed from the original line of sponsorship.

46. To be eligible for monthly override commissions and bonuses, the distributor must comply with:
  - a) Supervisory responsibility requirements as outlined herein.
  - b) 70% rule on resale of wholesale product ordered, and
  - c) Retail sales rule requiring sales to at least five (5)\* nonparticipant retail customers per month
  - d) The requirement that his/her downline has retailed product which has been purchased at wholesale.

\*Retail sales rule requiring sales of company products to at least five (5) non-participants retail customers per month. Representative will be allowed a "ramp up" period during the first 6 months to meet the five (5) customer rule. During this "ramp up" period, the Representative's sales can be accumulated as follows: Month one, accumulate 1; month 2, accumulate two; month 3, accumulate three; month 4, accumulate four; and month 5, accumulate five. Thereafter, maintain 5 active retail customers plus maintenance requirements according to the rules of the current published compensation plan to be considered eligible for all commissions. After the 6 month grace period, should a representative's newly acquired customers or repeat accessory product customers fall below the 5 minimum required, at the option of the company, no commissions or bonuses will be paid.

47. The Company encourages each independent distributor to keep accurate sales records. The program is based upon retail sales to the ultimate consumers; therefore, all forms of stockpiling or pyramiding are prohibited. Products and services are offered to distributors only for personal consumption and for resale to consumers.
48. See specific addenda to distributor agreement for specific states as to statutory purchasing limitations, buyback rules and other restrictions, disclosures and additional distributor rights and responsibilities. In any state with a business opportunity statute, required expenditures during the first six months shall not exceed the statutory amount that initiates applicability of the state business opportunity statute.
49. Income Claims. No income claims, income projections nor income representations may be made to prospective distributors. Obviously, any false, deceptive or misleading claims regarding the opportunity or product/service are prohibited. In their enthusiasm, distributors are occasionally tempted to represent hypothetical income figures based upon the inherent power of network marketing as actual income projections. This is counter-productive, since new distributors may be quickly disappointed if their results are not as extensive or as rapid as a hypothetical model would suggest. The Company believes firmly that the income potential is great enough to be highly attractive in reality without resorting to artificial and unrealistic projections.

50. Representation of Status. In all cases, any reference the distributor makes to him/herself must clearly set forth the distributor's independent status. For example, if the distributor has a business telephone, the telephone may not be listed under the Company's name or in any other manner which does not disclose the independent contractor status of the distributor.
51. Judgment and Tax Liens. The Company will comply fully with any court order or instruction/demand by any government taxing authorities within the United States and Canada that orders, instructs or demands the withholding of a distributor's earnings from his/her distributorship with the Company.
52. Subpoenas Duces Tecum (Demands for Records). Assuming proper jurisdiction, the Company will comply with all subpoenas duces tecum demanding financial compensation records of a distributor in his/her capacity as an independent contractor with the Company.
53. Requests for Records. The Company will comply fully with all requests for records accompanied by a properly prepared and signed Authorization by the person whose records are being sought. The Company will comply fully with all requests for records by government agencies with the authority to request such records and accompanied by the requisite legal documentation.
54. Newspaper Advertisements. Some Independent Representatives use classified advertising in the newspapers to find prospects. The following rules apply:
- No advertisement may imply that a "job" or "position" is available.
  - No specific income can be promised.
  - Advertisements must contain no misleading facts or distortions of the Company opportunity or product line.
55. Business Cards and Stationery. Any printed materials, including business cards and stationery, must be approved by the Company in advance. Criteria for approving these materials will include a judgment regarding the quality of the materials as well as properly setting forth the independent status of the distributor.
56. Telemarketing Techniques. The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have "do not call" regulations as part of their telemarketing laws. Although the Company does not consider distributors to be "telemarketers" in the traditional sense of the word, these government regulations broadly define the term "telemarketer" and "telemarketing" so that your inadvertent action of calling someone whose telephone number is listed on the federal "do not call" registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties.

Therefore, distributors must not engage in telemarketing in the operation of their Company businesses. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Company product or service, or to recruit them for the Company opportunity.

"Cold calls" made to prospective customers or distributors that promote either Company products or services or the Company opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a prospective customer or distributor (a "prospect") is permissible under the following situations:

- a. You may call family members, personal friends, and acquaintances. An "acquaintance" is someone with whom you have at least a recent first-hand relationship within the preceding three (3) months. Bear in mind, however, that if you make a habit of "card collecting" with everyone you meet and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if you engage in calling "acquaintances," you must make such calls on an occasional basis only and not make this a routine practice.
- b. The prospect's personal inquiry or application regarding a product or service offered by the distributor, within the three (3) months immediately preceding the date of such a meeting.
- c. If the distributor has an established business relationship with the prospect. An "established business relationship" is a relationship between a distributor and a prospect based on the prospect's purchase, rental or lease of goods or services from the distributor, or a financial transaction between the prospect and the distributor within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect's purchase of a product or service.
- d. If the distributor receives written and signed permission from the prospect authorizing the distributor to call. The authorization must specify the telephone number(s) which the distributor is authorized to call.
- e. In addition, distributors shall not use automatic telephone dialing systems relative to the operation of their Company businesses. The term "automatic telephone dialing system" means equipment which has the capacity to (a) store or produce telephone numbers to be called, using a random or sequential number generator, and (b) to dial such numbers.

57. Press Inquiries. Any inquiries by the media are to be referred immediately to the Company. This policy is to assure accuracy and consistent public image.

58. Federal and state regulatory agencies rarely approve or endorse direct selling programs. Therefore, distributors may not represent that the Company's program has been approved or endorsed by any governmental agency.

59. Indemnification and Hold Harmless. The independent Distributor hereby indemnifies and releases Company, its officers, directors, agents and assigns and holds harmless from and against the full amount of any and all claims, causes of action, judicial and administrative proceedings suits, charges, liabilities, losses, damages, costs and expenses, including without limitation court costs and reasonable fees and expenses of attorneys and consultants, which are or may be made, filed or assessed against Company at any time arising out of distributor's business operations and representations made by distributor in the operation of his/her business, arising from the following:

- a. Violation and/or lack of compliance with terms of the distributor agreement, policies and procedures, rules and regulations, marketing program manual or guidelines or any other directive from the Company as to method and manner of operation of the independent distributor business;
  - b. Engaging in any conduct not authorized by the Company in the Company market program;
  - c. Any fraud, negligence or willful misconduct in the operation of the independent distributor business;
  - d. Misrepresentation or unauthorized representation regarding the Company's product or service, marketing opportunity or potential or the Company's marketing program;
  - e. Failure to adhere to any federal, state or local law, regulation, ordinance and/or any order or rule issue by any court of appropriate jurisdiction;
  - f. Engaging in any action which exceeds the scope of authority to the distributor as granted by the Company;
  - g. Engaging in any activity over which Company has no effective control as to the actions of the distributor.
  - h. Engaging in the general business operations of distributor's business.
60. Waiver. The Company never gives up its right to insist on compliance with these rules or with the applicable laws governing the conduct of a business. This is true in all cases, both specifically expressed and implied, unless an officer of the Company who is authorized to bind the Company in contracts or agreements specifies in writing that the Company waives any of these provisions. In addition, any time the Company gives permission for a breach of the rules, that permission does not extend to future breaches. This provision deals with the concept of "waiver," and the parties agree that the Company does not waive any of its rights under any circumstances short of the written confirmation alluded to above.
61. Governing Law. These rules are reasonably related to the laws of the state of Minnesota and shall be governed in all respects thereby. The parties agree that jurisdiction and venue shall lie with the place of acceptance of the distributor application, the state of Minnesota.
62. Partial Validity. Should any portion of these Rules and Regulations, of the distributor's application and agreement, or of any other instruments referred to herein or issued by the Company be declared invalid by a court of competent jurisdiction, the balance of such rules, applications, or instruments shall remain in full force and effect.