

# **XANGO**

## **Distributor Policies and Procedures**

### **MALAYSIA**

#### **Effective May 1, 2008**

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# Policies & Procedures

These Policies and Procedures are subject to the terms of the Malaysia Addendum attached hereto.

These Policies & Procedures, attachments and addenda (the "Policies and Procedures") are effective as of the date first displayed above and govern the way a XanGo® Distributor conducts business with XanGo, LLC and/or its subsidiaries (the "Company"), with other XanGo Distributors, and with retail Customers. They replace and succeed all previous versions. The governing definitions are capitalized and found in Appendix A. The term "Company" refers to XanGo, LLC and its subsidiaries, successors and assigns. The term "Distributor" refers to a Person, whose Distributor Agreement has been accepted by the Company and whose Contract has neither expired nor been terminated, except that certain provisions herein survive termination. Any interpretation, clarification, exclusion, or exception to these Policies and Procedures, in order to be effective, must be in writing and signed by an authorized officer of the Company. The Company endeavors to enforce the Policies and Procedures on a uniform and nondiscriminatory basis. However, any failure to enforce any of the provisions of the Policies and Procedures with one Distributor does not waive the Company's right to enforce any such provision(s) with that same Distributor or any other Distributor.

These Policies and Procedures, the Compensation Plan (Appendix B), the Statement of Beneficial Interest (if any), and any country or situation specific addendum in their present forms and as amended from time to time at the sole discretion of the Company, are by this reference incorporated into, and form an integral part of, the Distributor Agreement. Collectively, said documents are referred to as the "Contract". Each Distributor has the responsibility to read, understand, adhere to the Contract and ensure that he or she is aware of and operating under the most current version of the Contract. When Sponsoring a new Distributor, the Sponsoring Distributor shall provide the most current version of the Contract to the applicant prior to his or her execution of the Distributor Agreement. By signing a Distributor Agreement or accepting Commissions from the Company, a Distributor demonstrates that he or she has read and understands and consents to abide and be bound by the Contract.

The Company may amend the Contract from time to time as laws and business circumstances change; however, notice of any amendment will be published by the Company on its website at least thirty (30) days before the change is made effective. It is the responsibility of all Distributors to regularly review the most recently published Contract, located at [www.xango.com](http://www.xango.com) or other Company websites. The Company will also provide a copy of its most current Contract upon the Distributor's request.

## Code of Ethics

The Company has made a commitment to provide its Distributors top quality Products, exceptional support and a proven, successful Compensation Plan. A Distributor may purchase Products directly from the Company for both personal use and for resale to consumers. In turn, a Distributor agrees to represent the Products and income opportunity in an ethical and professional manner. Each Distributor shall adopt and live by the following Code of Ethics:

As a Distributor:

1. I will be respectful of each and every person I meet while doing the Distributor Business.
2. At all times I will conduct myself and my business in an ethical, moral, legal and financially sound manner and will not engage in any deceptive or illegal practice.
3. I will not communicate disparaging comments about competitors' products to others and shall not communicate slanderous, libelous and derogatory statements about competitors or other Distributors.
4. I will not engage in activities that would bring disrepute to the Company, other Distributors, or me.
5. I will be truthful in my representation of the Products and will make no Product claim that is not contained in and supported by official Company publications.
6. I will fulfill my leadership responsibilities as a Sponsor by training, assisting, and otherwise supporting the Distributors in my Downline Organization.
7. I will correctly and lawfully represent the Compensation Plan and the income potential represented therein. I understand I may not use my own income as an indication of other's potential success, or use compensation checks as marketing materials.
8. I will abide by each and every term and condition of the Contract.
9. I will honor the terms of the Product return and refund policies with all of my retail Customers.
10. I will respect the Sponsor relationship of every other Distributor and I will neither attempt to interfere with or change these relationships nor make disparaging or untrue claims about other Distributors.

### Section 1 – Becoming a Distributor

- A. Age of Majority. In order to become a Distributor, all Applicants must have reached the age of majority, usually eighteen (18) years of age, in the jurisdiction in which they reside.
- B. Application. An Applicant receives a license to exercise the Distributor Rights and operate a Distributorship when he or she i) purchases a distributor kit and ii) returns to the Company a completed and signed original or electronic (faxed or scanned) Distributor Agreement or signs through the Company's on-line application process (in those countries where it is available), and (iii) the Company accepts the Agreement. (The Distributor Agreement and other necessary forms are available on the Company's website.)

1. In order to be accepted by the Company, a Distributor Agreement for the country in which the Applicant resides and any other required document of the Contract must be complete and correct in every respect and submitted by the Distributor.
  2. Failure of the Distributor to submit a complete and correct Agreement or to provide appropriate documentation, when requested, may result in the Distributor Agreement being rejected by the Company. The right to accept or renew any Distributor Agreement remains solely with the Company.
  3. A Distributor may be required to provide the Company with proof of residency, work authorizations, and ability to legally conduct business in the country stated on the Distributor Agreement.
- C. Required Purchase. Unless otherwise prohibited by law, the only purchases required to obtain and maintain a Distributorship are the distributor kit and the annual renewal and materials fee. Product purchases are optional.
- D. Phoned Applications. A temporary Distributorship will be created for those Distributor Agreements processed via the telephone until such time as the Company has received the completed Contract. This temporary Distributorship is subject to all the terms and conditions of the Contract and, while the original documentation is being received and processed, allows the Applicant to order Product for thirty (30) days. If the Applicant fails to provide the Company with an original, signed Distributor Agreement or electronic copy of the same within the thirty (30) days, the temporary Distributorship may be terminated.
- E. Business Entities. If the Applicant is a Business Entity, the original signature on the Distributor Agreement must be of a person authorized to bind the Business Entity. The Applicant must also submit with the Distributor Agreement: (i) an Identification Number for the Business Entity, and (ii) a Statement of Beneficial Interest, which must include the signature and Identification Number or other personal identification number of every Person having a Beneficial Interest in the Business Entity. To verify the form of the Business Entity, Beneficial Interest holders, and authorized signatories, the Company may require, at any time, the Applicant to submit a copy of its articles of organization, articles of incorporation or other charter documentation.
- F. Identification Number. For tax reporting (where required) and identification purposes (where permitted by law), the Company requires Applicants to provide the Identification Number or other personal identification number. Failure to provide this number may result in rejection of the Application or cancellation of the Distributorship.
- G. Inaccurate Information. If the Company determines that the Distributor Agreement or the Statement of Beneficial Interest contains inaccurate or false information, it may immediately terminate a Distributorship or declare the Distributorship Agreement null and void from its beginning. Further, it is the obligation of the Distributor to report to the Company on an ongoing basis any changes which affect the accuracy of the Contract.
- H. Term. The Contract is valid for the period of one (1) year from the Date of Sign-up. Each year after that, the Contract may be renewed by payment of a renewal and materials fee. This fee must be paid by the Distributor on the annual anniversary of the Date of Sign-up when the Distributorship is required to be renewed. The purpose of this fee is to support Distributors by providing them with materials and information on the Company's Products, programs, Policies and Procedures, and related information.
1. The Distributor expressly authorizes the Company to collect the annual renewal and materials fee using any payment method available, including charging any credit card on file for the Distributor or withholding from Commissions.
  2. A Distributor will forfeit the Distributor Rights and agrees that his or her Distributorship may be converted to a Customer under the current Sponsor, may lose its Downline Organization, and may forfeit the right to participate in the Compensation Plan, if the annual renewal and materials fee is not paid by the renewal date.
- I. Effects of Marriage, Divorce, and Death on the Distributorship
1. Marriage. A spouse is deemed to have a Beneficial Interest in a Distributorship and all acts and omissions of the spouse shall be imputed to the Distributor. If two Distributors marry, they may keep their Distributorships separate. However, all other conditions of the Beneficial Interest rules of the Contract apply to both Distributorships.
  2. Divorce. When a married couple whose individual names appear as Distributors on the Distributor Agreement separate or divorce, the Company will continue paying earnings under the Compensation Plan in the same manner as prior to the separation or divorce until the Company is served with a legally binding certified copy of a divorce decree or other court order that provides direction on payment and/or disposition of the rights under the Contract. Where there is a change in ownership as ordered by the court, the spouse remaining as a Distributor must submit an amended Distributor Agreement. In no event will the Distributorship be partitioned.
  3. Death and Inheritance. In the case of a Distributor's death, the Contract will be assigned to the legal successor to the Distributorship (who can properly qualify according to the Contract) in accordance with applicable laws. The Company requires certified copies of the death certificate (or a doctor's statement) and a certified will, court order, or other appropriate legal documentation. Successors in interest must submit an amended Distributor Agreement. Upon notice of demise, the Company reserves the right to make payments to the estate of the deceased Distributor. If the legal successor wishes to terminate the account, a written, signed statement of request to terminate must be submitted along with appropriate legal proof of death. If the legal successor to the Distributorship is already an existing Distributor, the Company will allow the multiple Beneficial Interest through inheritance for up to six (6) months, by which time the existing Distributor must have sold or otherwise transferred either the existing or the inherited Distributorship.
- J. Merger. Two Distributorships may be merged into a single Distributorship if one is the Sponsor of the other. Every merger is final. To effectuate the merger, both Distributors must submit an amended Distributor Agreement and obtain the Company's consent.

- K. Restrictions Against Multiple Beneficial Interests.
1. A Distributor is prohibited from having a Beneficial Interest in more than one Distributorship.
  2. If a Person with a Beneficial Interest in an existing Distributorship wishes to become a Distributor under another Sponsor, the Person must first terminate the Beneficial Interest in the existing Distributorship and wait six (6) months before applying to be a Distributor.
- L. Non-Exclusive Territory. The licensing of the rights granted herein does not include a grant of an exclusive franchise or territory to a Distributor, nor is a Distributor allowed to make such claims.

## **Section 2 - Obligations of a Distributor and Managing a Distributorship**

- A. Compliance. A Distributor shall comply at all times with each of the terms and conditions of the Contract.
- B. Independent Contractor. A Distributor is an independent contractor and is responsible for his or her own business expenses, decisions, and actions.
1. A Distributor shall not represent himself or herself as an agent, employee, partner, or joint venturer with the Company. A Distributor shall not make purchases or enter into any transactions in the Company's name.
  2. A Distributor's work hours, business expenditures, and business plans are not dictated by the Company. A Distributor shall make no printed or verbal representations which state or imply otherwise.
  3. A Distributor is fully responsible for all of his or her verbal and/or written statements made regarding the Products, services, and the Compensation Plan which are not expressly contained in official Company materials and the Distributor agrees to indemnify the Company against any claims, damages, or other expenses, including attorneys' fees, arising from any representations or actions made by the Distributor that are outside the scope of the Contract. The provisions of this section survive the termination of the Contract.
- C. Income Claims. A Distributor may not make statements regarding actual income figures (whether past or present) and may not disclose to potential and existing Distributors actual, copied, or representative Commission checks. A Distributor may not make income guarantees of any kind and may not make unrepresentative, unreasonable, or misleading earnings claims.
- D. Compliance with Laws. In conducting its Distributor Business, a Distributor must comply with all applicable national and local laws, regulations, and ordinances. A Distributor shall not violate any laws which apply to unfair competition or business practice, including any law that prohibits the advertising, offer to sell, or sale of Products at less than the Wholesale price of the product.
- E. Offerings. A Distributor may not offer or promote any non-Company plans, products, incentives, opportunities, or non-approved Sales Tools in conjunction with the promotion of Products.
- F. Retail Sales. A Distributor must conduct all Distributor Business with the understanding that the Distributor's success is only achieved through the regular and repeated Retail Sale of Products and the regular and repeated Retail Sales by a Distributor in his or her Downline Organization.
- G. Negative Statements. A Distributor will make no disparaging, misleading, inaccurate, or unfair statements, representations, claims, or comparisons with regard to:
1. the Company, its Products, its commercial activities, or its Distributors; or
  2. other companies, including competitors, their services, products or commercial activities.
- H. Unethical Activity. A Distributor must be ethical and professional at all times when conducting Distributor Business. A Distributor will not, nor will the Distributor permit Distributors in his or her Downline Organization to engage in unethical activity. Examples of unethical activities include, but are not limited to the following:
1. Causing Product sales in Retail Establishments;
  2. Use of another Distributor's credit card without express written permission;
  3. Unauthorized use of any Company Confidential Information;
  4. Cross-Company Recruiting (including aiding and abetting another to Cross-company Recruit);
  5. Cross-line Recruiting (including aiding and abetting another to Cross-line Recruit);
  6. Writing checks without sufficient funds to either the Company or another Distributor;
  7. Making unapproved claims about the Product;
  8. Making income claims about the Distributor Business;
  9. Making false statements or misrepresentation of any kind, including but not limited to: untruthful or misleading representations or sales offers relating to the quality, availability, grade, price, terms of payment, refund rights, guarantees, or performance of Products;
  10. Personal conduct that discredits the Company and/or its Distributors;
  11. Violating the laws and regulations pertaining to the Distributor Business;

12. Failing to meet Sponsor responsibilities;

13. Violating the Code of Ethics;

14. Violating the Contract.

- I. Enticing Other Distributors. If a Distributor did not personally Sponsor another Distributor on his or her Front Line, the Distributor is prohibited from soliciting or enticing that Distributor to sell or purchase products or services other than those offered by the Company. To do so constitutes an unreasonable and unwarranted interference with the contractual relationship between the Company and its Distributors, conversion, and a misappropriation of trade secrets. The Distributor agrees that a violation of this rule inflicts irreparable harm on the Company and agrees that the appropriate non-exclusive remedy to prevent that harm is immediate injunctive relief without bond. The provisions of this section survive the termination of the Contract.
- J. Cross-Company Recruiting. If a Distributor did not personally sponsor another Distributor on his or her Front Line, the Distributor is prohibited during the term of the Contract and for 12 months thereafter from soliciting or enticing that Distributor to sell or purchase products or services and/or to act as an independent distributor, employee, executive, or consultant to or on behalf of another direct selling, network marketing, or multi-level marketing company in any Authorized Country. To do so constitutes an unreasonable and unwarranted interference with the contractual relationship between the Company and its Distributors. The Distributor agrees that a violation of this rule inflicts irreparable harm on the Company and agrees that the appropriate remedy to prevent that harm is immediate injunctive relief without bond. The provisions of this section survive the termination of the Contract. Nothing herein waives any other rights and remedies the Company may have in relation to the use of its Confidential Information. The Distributor agrees that appearing in, being referenced in, or allowing the Distributor's name or likeness to be featured or referenced in any promotional, recruiting or solicitation materials for another direct selling company constitutes Cross-company Recruiting.
- K. Resolving Disputes. A Distributor must conduct all activity in the best interests of the Company. Sponsors shall use their best efforts to resolve disputes in the Downline Organizations. Any personal disputes between Distributors must be resolved quickly and in the best interests of the Company.
- L. No Claims of Unique Relationship. A Distributor may not allege or imply that he or she has a unique relationship with, advantage with, or access to the Company executives or employees that other Distributors do not have.
- M. Detrimental Conduct. If any conduct by a Distributor or any participant in the Distributorship is determined by the Company to be injurious, disruptive, or harmful to the Company or to other Distributors, the Company may take appropriate action against a Distributor and the Distributorship as set forth herein.
- N. No Reliance. A Distributor may not rely on the Company to provide legal, financial, or other professional advice, nor may it rely on any such advice if given.
- O. Service Charges. The Company provides numerous services to its Distributors without charge. However, Distributors occasionally make requests that require special time and effort to fulfill. Requests in this category would include copies of receipts, paperwork, in-depth Commission information that must be calculated or extracted, research, banking instructions, stop-payment requests, etc. These and other special requests are available to the Distributor for a cost of forty dollars (\$40 USD), or equivalent local currency, or equivalent local currency per hour, plus actual costs, with a minimum charge of forty dollars (\$40 USD), or equivalent local currency, or equivalent local currency per request. Costs would include banking fees, photocopy expenses, professional fees, etc.
- P. Insurance. The Company carries a commercially reasonable amount of product liability insurance. However, the Company does not distribute copies of the policy nor does it disclose the amount of the insurance. Since laws differ according to jurisdiction, the Company encourages its Distributors to consult with an attorney regarding the extent of their personal legal liability with respect to their independent businesses.
- Q. Privacy Policy & Confidentiality Obligations. The Confidential Information of the Company is proprietary to and a trade secret of the Company. All Distributors are required to treat Confidential Information with due care. The Distributor maintains no ownership with reference to the Confidential Information and may not sell, disseminate, or provide it to any other party.
- R. Privacy of Distributor Information. All information provided by an Applicant on a Distributor Agreement will be used solely for the purposes of evaluating the Distributor Agreement and for related activities of the Distributor. A Distributor authorizes the Company to disclose, in the Company's sole discretion, its contact information to the Distributor's Upline, and to the Distributor's Downline Organization three (3) levels below or to those Distributors for whom the Distributor is the closest Upline "Premier" (as defined in the Compensation Plan). The contact information may be used only for the Distributor Business.
- S. Use of Confidential Information. The Company may supply Confidential Information to the Distributor concerning its Downline Organization. Accordingly, the Distributor understands and agrees:
1. the Confidential Information is provided for the exclusive and limited use of the Distributor to facilitate the training, support and servicing of the Distributor's Downline Organization for furtherance of the Distributor Business only;
  2. he or she will not disclose the Confidential Information to a third party directly or indirectly (including other Distributors) and that doing so constitutes misuse, misappropriation, and a violation of the Contract;
  3. the information is of such character as to render it unique and that disclosure of it will cause irreparable damage to the Company; the Company is therefore entitled to injunctive relief to prevent violation of this policy;

4. he or she will not use the information to compete with the Company directly or indirectly and improper use will result in termination of the Contract); and
  5. these obligations survive the termination of the Contract.
- T. Notification of Adverse Action. A Distributor shall immediately notify the Company's legal department in writing of any potential or actual legal claims from third parties against the Distributor arising from, or associated with, the Distributor Business or the Downline Organization that may adversely affect the Company. After notifying the Distributor, the Company may take any action necessary to protect itself, including controlling any litigation or settlement of the legal claims. If the Company takes action in the matter, the Distributor shall not interfere or participate in the matter without the Company's consent, which shall not be unreasonably withheld.
- U. Release for use of Photo, Audio, or Video Image, and/or testimonial Endorsement. The Company may take photos, audio or video recordings, or written or verbal statements of a Distributor at Company events or may request the same directly from a Distributor. The Distributor agrees to and hereby grants the Company the absolute and irrevocable right and permission, to use, re-use, broadcast, rebroadcast, publish, or republish any such photo, audio, video, or endorsement, in all or in part, individually or in conjunction with any other photograph or video, or any other endorsement, in any current or future medium and for any purpose whatsoever, including (but not by way of limitation) marketing, advertising, promotion, and/or publicity; and to copyright such photograph and/or video, in the original or as republished, in the name of the Company, or in any other name. Regardless of any other agreements or contracts the Distributor may have with any other entity, the Distributor agrees that any use by the Company as set forth in this section shall be royalty free, is a work made for hire, and is not subject to any other claim. The Distributor agrees to defend and indemnify the Company against any claims by any other party arising out of the Company's use of the rights granted herein. The Distributor confirms that the information he or she may give as a testimonial endorsement, or as represented in a photograph, video or audio is true and accurate to the best of his or her knowledge. The Distributor waives any right he or she may have to inspect or approve the finished or unfinished product(s), the advertising copy, printed, recorded, photographic or video matter which may be used in connection with it or any use that may be made of it.
- V. Conducting the Distributor Business Internationally. A Distributor has the right to operate in any Authorized Country where the Distributor may lawfully conduct the Distributor Business. It is a Distributor's responsibility to comply with all national and local laws, ordinances, and regulations when conducting Distributor Business in any Authorized Country.
1. The Company may specify certain countries subject to a Pre-Launch Period in which Distributors may also conduct the Distributor Business. The Company will formally announce a Pre-Launch Period at least thirty (30) days prior to the official opening.
  2. A Distributor has no authority to and shall not conduct the Distributor Business (except as permitted herein), nor introduce or establish the Company's business or Product in a non-Authorized Country or any country that is not the subject of a Pre-Launch Period announcement from the Company. This includes, but is not limited to: any attempts to secure approval for Products or business practices; register or reserve the Company names, trademarks, trade names, or Internet domain names; or establish any kind of business or governmental contact on behalf of the Company.
  3. Prior to an announced Pre-Launch Period, Distributor Business in an unopened country is limited strictly to the following: A Distributor may only hand out business cards and participate in small meetings not exceeding eight (8) total persons personally acquainted with the Distributor or the Distributor's contacts.

### Section 3 - Sponsorship

- A. Sponsoring. To act as a Sponsor, a Distributor must meet all requirements and accept all responsibilities as outlined in the Contract. Persons wishing to become Distributors may be referred as Applicants to the Company by a Sponsor. Only Applicants residing in Authorized Countries or in those countries subject to a Pre-Launch Period may be Sponsored.
- B. Placement. Once an Applicant's Distributor Agreement is accepted by the Company, the new Distributor is placed in the Sponsor's Downline Organization. A Sponsor may place the new Distributor on his or her Front Line or anywhere else in the Sponsor's Downline Organization. A Sponsor may not place a new Distributor outside its Downline Organization. If this occurs, the Company retains the right to make adjustments to the organization to allow for correct payout and to ensure that all lines are complete.
- C. Training and Support. A Sponsor shall:
1. make reasonable efforts to ensure that that all Distributors in his or her Downline Organization understand the terms and conditions of the Contract and all applicable national and local laws;
  2. provide regular training and bona fide support in the development of his or her Downline Organization's business and the sale of Products;
  3. provide bona fide education and instruction so that Product sales and opportunity meetings conducted by Distributors in his or her Downline Organization are conducted in accordance with the Contract, and with any applicable national and local laws;
  4. give guidance and encouragement to Distributors in his or her Downline Organization; and
  5. make commercially reasonable efforts to settle any dispute arising in his or her Downline Organization.

## Section 4 - Sponsor/Placement Changes and Transfers

- A. Sponsor & Placement Changes. A Distributor may apply to change the Sponsor and/or Placement of itself or a personally Sponsored Distributor, subject to the limitations described below. However, Distributor is permitted only one Sponsor change and one Placement change as described herein, and the respective change will be final. Because of the need to maintain the integrity of Downline Organizations, a Sponsor/Placement change may not be feasible.
1. A fee of thirty five dollars (\$35 USD or equivalent local currency) will be charged for each Sponsor/Placement change request submitted. This fee will be charged even if the request is rejected by the Company. Change-request forms must be completed and received at the Company by 5 p.m. Mountain Time on the 20th day of the month. Requests received after this deadline will be processed for the following month. A discounted fee of twenty five dollars (\$25 USD or equivalent local currency) will apply to all Sponsor/Placement changes submitted and received at the Company by 5 p.m. Mountain Time on the 15th day of the month.
  2. A current and accurate Distributor Agreement and Statement of Beneficial Interest, if applicable, must be on file for all Distributors requesting a Sponsor/Placement change.
- B. Placement Change Process.
1. the move is within ninety (90) days from the Date of Sign-up;
  2. the move is three (3) levels or less below its current Placement; and
  3. the Distributor's Downline Organization has not surpassed 2,500 in monthly group Volume.
- C. Moving Up. A Distributorship may be moved to a new Placement Upline provided it obtains written authorization from each Distributorship it moves above in Placement. Likewise, A Distributorship may be moved Upline to a new Sponsor provided its Distributor obtains written authorization from each Distributorship it moves above in Sponsorship.
- D. Sponsor Change Process. A Distributorship may be moved to a new Sponsor within its original Sponsor's Downline Organization if the Distributor obtains the written authorization of the original Sponsor, provided that:
1. the move is within six (6) months from the Date of Sign-up; and
  2. the Distributor has not reached the Title of 20K.
- E. Selling or Transferring a Distributorship. A Distributorship sale or transfer occurs when a Person assigns, sales, or transfers ownership or control of a Distributorship to another Person. A Distributor may sell, assign, or otherwise transfer the Contract, subject to the conditions herein. The transferee Distributor will retain the same Downline Organization and the same Rank/Title held before the approved transfer.
- F. Right of First Refusal. Distributorship transfers are subject to a Right of First Refusal ("RFR") to the Company, followed by a RFR to the transferring Distributor's direct Placement Upline who is not in violation of the Contract and who the previous month qualified for earnings under the Compensation Plan (the "Qualified Direct Upline", as used in this section only).
1. If a Distributor receives a Bona Fide Offer (as hereinafter defined) to purchase his or her Distributorship Rights, the Distributor shall first offer to sell such Distributor Rights to the Company on the same terms and conditions contained in the Bona Fide Offer. The Distributor shall deliver the Bona Fide Offer in writing to the Company, and the Company shall have fifteen (15) business days in which to accept the offer. A "Bona Fide Offer" is an arm's length written offer to purchase the Distributorship Rights by a Person that is not a Distributor, which the Company, in its sole discretion, determines to be a legitimate offer. Evidence of a legitimate offer may include, but is not limited to, cash or securities deposited into an escrow account, evidence of a loan commitment, and other substantial steps taken for the sole purpose of purchasing such Distributorship Rights.
  2. If the Company fails to exercise its RFR within the fifteen (15) day time period, the Distributor shall extend the same offer to its Qualified Direct Upline on the same terms and conditions as those contained in the Bona Fide Offer. The Company shall convey the Bona Fide Offer by providing written notice of the same to the Distributor's Qualified Direct Upline. The Qualified Direct Upline shall have ten (10) business days in which to accept or reject such offer. If the Qualified Direct Upline accepts the offer, he or she must provide written notice to the Company upon acceptance.
  3. If the Qualified Direct Upline fails to exercise his or her RFR within the time allotted, the Distributor may transfer the Distributorship to the third party according to the same terms and conditions contained in the Bona Fide Offer, provided, however, that the Distributor comply with all other transferring procedures contained in this Section and as may be established from time to time by the Company.
  4. The RFR shall apply to each new Bona Fide Offer received by the Distributor.
  5. The following circumstances are not subject to the RFR requirements in subparagraph 1 above; however, each instance requires that an amended Distributor Agreement and Statement of Beneficial Interest be filed with the Company.
    - a. When the name of a Person who has a Beneficial Interest in the Distributorship is added to the Distributor Agreement (e.g., a wife adding her husband).
    - b. When the name of a Person who no longer has a Beneficial Interest in the Distributorship is removed from the Distributor Agreement (e.g., a member who is removed from a limited liability company or a shareholder who sells all of his or her interest in a corporation.)
    - c. When the Distributor is an individual and is transferring his or her ownership rights to a legal entity in which only that Distributor has a Beneficial Interest (e.g., a husband and wife form a limited liability company to operate their Distributorship and are the only members/ managers).

G. Limitations on Sales and Transfers.

1. An existing Distributor may not purchase another Distributorship.
2. A Distributor who sells or transfers his or her Distributorship may not reapply to become a Distributor under another Sponsor for a period of not less than six (6) months after the Company has approved the sale.
3. A Person may not merge with, or acquire an interest in, a pre-existing Distributorship if the Person has engaged in Distributor Business within the past two (2) years.
4. The Company must first give express written approval for any Distributorship sale or transfer, which the Company may grant in its sole discretion.
5. Should a Distributor transfer his or her Distributorship and Distributorship Rights to the Qualified Direct Upline, the Distributorship will be merged into the Qualified Direct Upline's existing Distributorship in accordance with the Distributorship transfer procedures.

H. Process. Additional processing requirements include:

1. The selling/transferring Distributor must either provide or have on file a current and accurate Distributor Agreement and Statement of Beneficial Interest for all Business Entities requesting the transfer.
2. Specific documentation available on the Company's website must be submitted in order to process a sale or transfer of a Distributorship.
3. An application for a sale or transfer must be received by the Distributor Education and Conduct department at the Company by the 20th day of a month in order for the change to be effective for the given month.
4. Any requests received after the 20th will be processed for the following month.
5. A one hundred dollar (\$100 USD or local currency equivalent) fee will be assessed per each request.
6. An additional thirty-five dollar (\$35 USD or local currency equivalent) fee may be assessed for any application that is incomplete, incorrect, or rejected.

I. Interpretation. The interpretation of these Policies & Procedures pertaining to sale or transfer of a Distributorship will be made in a manner that considers and serves the best interests of the Company. The Company reserves the right to reject any transferee or buyer.

J. Change of Residence. If a Distributor changes his or her country of residence, the Distributor must submit to the Company: (i) a Distributor Agreement for the new country of residence (with the "AMENDED" box at the top checked); (ii) a signed and dated notification request (iii) authoritative documentation as proof of the new residence (e.g., a copy of the driver's license, passport, etc.); and (iv) a one hundred dollar (\$100USD or local currency equivalent) processing fee. The Distributor will be responsible for complying with all terms and conditions of the Contract, including those specific to the new country of residence.

## Section 5 - Compensation

A. Earnings Through Sales. Commissions are paid to Distributors who qualify pursuant to the Compensation Plan and who are in compliance with the Contract. A Distributor's success is only achieved through the regular and repeated Retail Sale of Products and the regular and repeated Retail Sales by its Downline Organization. As the success of any Distributor depends largely on the personal efforts of that Distributor, the Company does not guarantee any level of profit or success, nor does it guarantee a Distributor a specific income.

B. Payment. The Company will pay Commissions to qualified Distributors on Product orders which: i) are received by the Company before the end of the Commission period, and ii) have been fully paid with appropriate payment. A Distributor does not receive compensation for sponsoring or recruiting other Distributors.

1. Commissions are paid in the name of the Business Entity listed on the Distributor Agreement. When no Business Entity is listed, Commissions are paid to the personal name of the first Person listed on the Distributor Agreement.
2. UniLevel and bonus pool commissions are paid on or before the 20th day of each month. All non-online Product orders must be received by the Company before 5:00 p.m. (MST) on the last business day of the month to be included in that month's UniLevel Commission calculation. Online Product orders must be received by the Company before 11:59 p.m. (MST) on the last day of the month to be included in that month's UniLevel Commission calculation.
3. PowerStart commissions are paid on the Friday following the end of the weekly qualifying period. For an order to be included in a weekly qualifying period, it must be placed between midnight (12:00 a.m.) Monday morning and 11:59 p.m. the following Sunday evening.
4. If a Distributor believes that there is an error in the computation of Commissions and/or program qualifications, the error must promptly be brought to the attention of the Company. If such problems are not presented to the Company in writing within forty-five (45) days after the end of the relevant Commission period, the Distributor waives all recourse with respect to such alleged error.

C. Reissued Checks. In the event that a Commission check must be reissued to a Distributor, the Company will charge the Distributor a fee of \$15 USD (or equivalent). If a check must be reissued because of the Company's error, no additional charge will be applied. Checks reissued after one-hundred eighty (180) days will include an additional \$5 USD processing fee.

D. Minimum Check Amount. The minimum amount for payment of commission and bonus checks is ten dollars (\$10 USD or equivalent local currency). Commissions and/or bonuses in an amount less than ten dollars (\$10 USD or equivalent local currency) for a pay period will accumulate until they equal or exceed ten dollars (\$10 USD or equivalent local currency).

- E. Returned or Unclaimed Checks. The Company makes every effort to ensure that a Distributor receives its commission checks. However, if a commission check has been sent to a Distributor's last known address but is returned because the Distributor has moved without a forwarding address or the check is returned or not presented for payment for some other reason beyond the control of the Company, the check shall be voided and the amount may be credited to the Distributor's account 180 days after its date of issue, which credit may be subject to a monthly maintenance fee.
- F. No Manipulation. Manipulation of the Compensation Plan is not permitted and may result in disciplinary action. Manipulation of the Compensation Plan includes, but is not limited to, a Distributor purchasing, to qualify for various Ranks or Commissions, large quantities of Product that are not sold through the direct marketing channel, placing orders in his/her Downline Organization, and any other actions that may violate state, federal or foreign anti-pyramid scheme laws. Such manipulations may, in the discretion of the Company, result in the suspension of Commissions and termination of the Distributorship.
- G. Deductions and Offsets. The Distributor authorizes the Company to deduct fees from its Commissions as deemed appropriate in accordance with Section 6 herein or of any term or condition of the Contract. Any fees will be assessed at the sole discretion of the Company.

## **Section 6 - Ordering Company Products**

- A. Inventory. As the Company imposes no specific minimum inventory requirement on its Distributors, a Distributor must use its own judgment to determine the amount of inventory it will need to sustain its projected Retail Sales and personal use.
- B. Ordering. Products can be ordered by telephone, mail, facsimile, Internet, or by direct request at the Company's corporate headquarters.
  - 1. Faxed, mailed, or personally delivered orders must be submitted using a current Distributor price list and a fully completed order form.
  - 2. Payment must be the exact amount of the order and may be made by those methods presently available (cashier's check, money order, credit card, cash, direct debit, EFT and/or personal or business check). Bank wire may be available for high volume orders only.
  - 3. Orders need to be paid in full prior to pick-up or shipping. All shipping and handling costs are based on delivery location and the amount of Products ordered.
  - 4. Unauthorized use of another Person's credit card is prohibited.
  - 5. An order placed over the phone is not deemed made to the Company until the Company customer service agent provides the Distributor or Customer an order number.
- C. Will Call. Where will call service is available, a Distributor may pick up the order at the will call location. The Company will ship, at the Distributor's expense, Product that has been marked for will call pick-up if the Product has not been picked up by the Distributor within ninety (90) business days of the scheduled ADP date, or the end of the calendar month, whichever is latest. If the Product is shipped to the Distributor from the will call location, the Company may use any payment method noted on file to collect the shipping fees.
- D. Back Orders. If the Company is temporarily out of stock on ordered Product, a Distributor will receive a "back order" notice with his or her shipment. Back orders are filled first as new inventory arrives. Volume on back orders is credited to the month in which payment for the original order was received by the Company.
- E. [RESERVED].
- F. Electronic Funds Transfer (EFT). This method of payment, also known as ACH, may be an option for the purchase of Products and payment of Commissions to Distributors in certain Authorized Countries. When a Distributor sets up an EFT method to purchase product or receive Commissions, he or she is authorizing the Company to electronically debit or credit his or her bank account on a recurring basis for the amount of any designated purchase or payment, subject to the laws of the Authorized Country where the Distributor resides.
  - 1. In order to establish EFT as a purchase or payment method, an eligible Distributor must submit the required forms to a Company customer service representative. The forms vary by country, and are located on the Company's corporate website under the specific country link. There may be a waiting period for EFT implementation.
  - 2. EFT may be used for all orders except for a Distributor's Initial Order (in some Authorized Countries). For the first ninety (90) days or more, orders using EFT may be subject to a shipping hold of up to seven (7) calendar days in order to verify funds.
  - 3. A Distributor's use of a bank account belonging to another person for EFT purchases requires written, notarized authorization by the owner of the account. Failure to obtain proper authorization constitutes a breach of Contract.
- G. Payment Default. Any payment that is not supported by sufficient funds or that is returned uncollected constitutes a breach of the Contract. The Company will assess a handling fee of twenty dollars (\$20 USD or equivalent local currency) for all payments lacking sufficient funds. The Company reserves the right to restrict a Distributor's payment method.
  - 1. When there are not sufficient funds, the Distributor is responsible for all bank charges plus the Company's handling fee. In the case of the EFT method, the Distributor understands that when the Company's first attempt to receive an EFT payment is unsuccessful, the bank may make a second attempt within three (3) days. The Distributor's bank may charge an insufficient funds fee for each unsuccessful attempt. If there are insufficient funds, the Company will put a hold on the Product or cancel the shipment. If the Product has already been shipped, the Distributor will be expected

to use an alternate means of payment for the Product. If payment is not received within a reasonable amount of time, the Company may proceed with collection measures, stop the future shipment of orders, and take any other recovery steps available to it under the Contract, including withholding commissions.

2. Any uncollected amount may be deducted from the Distributor's present or future Commissions.
3. The Distributor understands that all Persons listed on the Distributor Agreement, or any Person having a Beneficial Interest in the Distributorship, will be held jointly and severally liable for the outstanding amount for unpaid Product and fees. It is expressly understood by the Distributor that this joint and several liability supersedes any limitations of liability otherwise available to the Distributorship or its Beneficial Interest holders.

#### H. Automatic Delivery Program (ADP).

1. A Distributor may choose to participate in the Automatic Delivery Program (ADP). ADP may be established at any time through the submission of the ADP application or with a written request to the Company indicating the amount of Product to be shipped each month and the method of payment to be used. When instituting ADP at the time of enrollment, the Distributor Agreement serves as confirmation for the setup. An ADP account will be charged at a set time during the month, and the Product will be shipped beginning approximately two (2) days after the charge is placed. The Distributor may obtain tracking numbers from the Company after the Product is shipped.
2. During winter months, the Company may utilize a cold-weather shipping program in certain geographic regions. This program is designed to prevent damage to Products from exposure to extreme weather conditions in certain regions. If used, the Distributor waives any claim against the Company for delayed shipments.
3. A Distributor may choose between two (2) types of ADP:
  - a. Backup ADP: While enrolled on "Backup ADP," if a Distributor places any orders before the 9th day of the month, and if the Volume of the order(s) equals or exceeds the Volume of the ADP for that month, then the order(s) will replace the ADP for that month. Orders placed after ADP has been process and all orders placed before ADP has been processed that do not equal or exceed the Volume of ADP for that month will not be credited toward the ADP for that month or any subsequent month; or
  - b. Unconditional ADP: Upon establishing "Unconditional ADP," the Distributor will receive the ADP shipment every month, regardless of the Volume ordered by that Distributor at other times of any given month.
4. Payments will be verified prior to processing ADP orders. In the event authorization is declined, the Company may attempt to contact the Distributor and reattempt to obtain authorization. If authorization is not obtained by the end of the month, the order will be considered "unprocessed" and will not be included in Commission computation and processing. The Company will not be held responsible for Volume shortfalls due to unprocessed orders.
5. To change or terminate one's ADP, the Distributor must submit a written request (including the date, the Distributor's name, identification number and the authorizing signature of the Distributor whose information is to be changed) to the Company by the 9th day of the calendar month in which the change or termination is desired. Any requests received after this date will be applied to the following month. Such requests include, but are not limited to, changing the number of cases, shipping address, the payment method, etc.
6. Upon cancellation of the ADP, a Distributor may return the most recent shipment, provided that the shipment is not older than ninety (90) days and the Distributor follows all other provisions of the refund policy (see Section 6 Paragraph L). Simply returning Product or refusing shipment is insufficient to cancel ADP. The Distributor must submit a signed cancellation request. The cancellation notice must be received in writing via fax, mail, personal delivery, or e-mailed with a scanned signature.

- I. Seventy Percent Rule. A Distributor certifies with each new Product order that he or she has sold or consumed at least 70% of all Product purchased in prior orders. Each Distributor that receives Commissions and orders additional Product agrees to retain documentation that demonstrates compliance with this policy, including evidence of Retail Sales, for a period of at least four (4) years. A Distributor agrees to make this documentation available to the Company at the Company's request. Failure to comply with this requirement or falsely representing the amount of product sold or consumed in order to advance in the compensation plan constitute a breach of the Contract and is grounds for termination. Furthermore, a breach of this requirement entitles the Company to recover any Commissions paid to the Distributor for any period of time during which such documentation is not maintained or for which this provision has been breached.

#### J. Sales Tax, GST, VAT.

1. U.S. sales tax is collected on the Product's suggested retail price and is calculated using the applicable rates for the location to where the product is shipped. The Company will collect and remit sales tax to the proper taxing authority. In those jurisdictions where a Distributor may and has registered as a withholding agent through a local sales tax agency and submitted a "Sales and Use Tax Exemption Certificate" or equivalent document to the Company, the collection of sales tax will be the responsibility of the Distributor. It is the responsibility of the Distributor to provide an updated copy of its certification for exemption from sales tax each year.
2. In all other jurisdictions, GST, VAT, or other applicable transaction tax is based on the purchase price. The Company will provide its GST or VAT number and proper invoicing, which may include electronic invoicing, where permitted by law. The Company does not include GST or VAT in commission payments. Distributors who are GST or VAT registered and are required to collect and remit GST or VAT on their services may send a valid GST or VAT invoice to the Company to charge them for GST or VAT on commission income.

- K. Notice of Cooling-Off Period to Customers. When making a retail sale, a Distributor shall verbally disclose the Customer's rights to cancel the sale. Those rights are set forth in the pre-printed sales receipt provided by the Company, which sales receipts must be completed and delivered to the Retail Customer upon making the sale. The sales receipt is available in the distributor kit and may be downloaded by Distributors from the Company's website. If the Customer exercises the right to cancel the sale, the Distributor making the sale shall follow the refund procedures described in this section. The Customer should return all unused Product.
- L. Returns, Refunds, and Exchanges. The Company will refund the purchase price of Product or exchange it pursuant to the following.
1. The Company offers a 100% satisfaction guarantee on the Initial Order of a Distributor. If a Distributor is not satisfied with the Product of the Initial Order, he or she may return up to two (2) cases of the Initial Order within thirty (30) days of purchase for a refund. The Company will refund the net purchase price and applicable tax amount less shipping charges. Returned Product must be sent through a form of delivery that can be traced (e.g., UPS) and must be received within seven (7) days of contacting the Company. Upon receipt, the return will be noted and a refund will be issued to the Distributor within thirty (30) days. Any additional orders made within thirty (30) days of the Date of Sign-up will be subject to all standard return Policies. This Initial-Order guarantee also applies to Customers who ordered Product directly from the Company.
  2. For orders other than the Initial Order, the Company will refund the purchase price of returned products, less a 10% restocking fee and subject to the limitations herein. A Distributor (and his or her Customer who ordered directly from the Company) requesting a refund may contact Customer Service to obtain a return merchandise authorization (RMA) number from the Company. Product sent to the Company without an RMA number will not qualify for a refund and will be returned to the Distributor at the Distributor's expense. Acceptable refund methods are limited to the original form of payment, or if not available, by check in US dollars or such other form as the Company may choose. Refunds are subject to:
    - a. The request for a refund being made within ninety (90) days of purchase;
    - b. The 70% rule in paragraph I above (Distributors only);
    - c. The product being returned in a marketable condition (unopened, unaltered and resalable) as determined by the Company
  3. Exceptions to the refund policies may be extended by the Company in instances in which Distributor misconduct, misrepresentation, or other extenuating circumstances may require. Previously paid Commissions or Ranks may be reversed and/or adjusted as a result of the exceptions and at the sole discretion of the Company.
  4. Customer may return Product to the Distributor who is then responsible for processing an exchange with the Company or issuing a refund to the Customer. The Distributor shall honor his or her Customer's timely request even if it is made after any cooling off period required by law has expired. A request is timely if made within ninety (90) days after the date of sale to the Customer
  5. Any Commissions paid to the Distributor and his or her Upline for the Product returned by the Distributor or Customer may be debited from the respective Upline Distributor's account or withheld from present or future Commission payments. A Distributor agrees that he or she will not rely on existing downline Volume at the close of a commissions period, as returns may cause changes to his or her Title, Rank and/or commissions payout.
  6. All shipping or courier costs for the return of Product will be borne solely by the Distributor. Any damage or loss that occurs to returned Product during shipping will be the responsibility of the Distributor. Should the Product arrive at the Company damaged (thereby rendering it non-resalable), the Company will reject the shipment. It is recommended that a reliable, traceable courier service be used for shipping. Partial case returns will not be accepted or refunded.
  7. The Company will exchange Product if the Product is damaged in shipment, incorrectly sent due to a Company error, or of substandard quality. However, when an exchange is not feasible, the Company will refund the amount of the returned Product. If Product is damaged or defective, a Distributor should contact the Company within ten (10) days of receipt of the order. The Company will issue a call tag for the Product and immediately send a replacement order. The Company will inspect the Product upon receipt.
- M. Buy Back. The Company will buy back unused Product and sales material sold to a Distributor who voluntarily terminates the Contract pursuant to Section 9, Termination. However, such buy back is subject to the return policies set forth in this section, except that the price of sales materials sold by the Company is subject to a 100% refund. Written notice of a Distributor's voluntary termination is required to obtain a refund upon returning the distributor kit and/or sales material.

## **Section 7 – Marketing the Product and Opportunity**

- A. Use of Sales Tools. A Distributor may use only Sales Tools approved by the Company for an Authorized Country or a country subject to an announced Pre-Launch Period. The Distributor agrees that if it uses a fulfillment house or other third party to sell or distribute Sales Tools, the Distributor will enter into a non-disclosure agreement (to be provided by the Company) with the fulfillment house or third party to ensure that all Distributor and Customer information is protected from disclosure and remains the sole property of the Company.
- B. Approval of Sales Tools. A Distributor must submit all Sales Tools to the Company through the Distributor Education and Conduct department for approval prior to use. The Company has complete discretion whether to approve or reject a proposed Sales Tool. The approval process generally requires a minimum of three (3) weeks to complete. To comply with changing laws and regulations, the Company may rescind its prior approval of a Sales Tool, and may require the Distributor to remove from the market at its own cost and obligation a previously approved Sales Tool. If approved, the Company will issue to the Distributor:

1. a unique Sales Tool approval number and logo, and
  2. a written authorization from the Company specifically stating that the Sales Tool may be distributed.
- C. Product Claims. The only claims and representations Distributors may make regarding Products are those found in the literature distributed by the Company. Any third-party material used for Distributor Business must comply with all federal and local laws and regulations. All Distributors must read and abide by the concepts taught in the "Distributor Advertising Guide," which is posted on the Company's website. A Distributor may not make any expressed or implied medical claims relating to any Product. Under no circumstances may a Distributor prescribe any Product as suitable for a particular ailment. No claims may be made as to therapeutic or curative properties of any Product offered by the Company.
- D. No Endorsement Claims. No Distributor may imply that the promotion, operation, or organization of the Company has been approved, sanctioned, or endorsed by any governmental regulatory authority. No Distributor should claim or imply that any Product is approved by any governmental agency.
- E. Use of Trademarks and Copyrights.
1. The Company may license the use of its trademarks to Distributors, subject to the limitations herein and subject to the limitations in any licensing agreement. A licensing agreement may be obtained from the Distributor Education and Conduct department.
  2. Distributors may not use any of the Company's current or after acquired trademarks or any confusingly similar variations of its marks, in a manner that is likely to cause confusion, mistake, or deception as to the source of the products or services advertised.
  3. A Distributor may not use the Company's trademarks or any confusingly similar variation of its trademarks (e.g., Zango, XNGO, Xan2go, xang, etc.), in a business name, e-mail address, Internet domain name or sub-domain name, telephone number, or in any other address or title.
  4. The Distributor agrees to immediately re-assign to the Company any registration of the Company names, trade names, trademarks, or Internet domain names registered or reserved in violation of this policy. The provisions of this section survive the termination of the Contract.
  5. Distributors may not use the Company's trademarks on non-approved Sales Tools.
  6. The Company, in its sole discretion, will determine whether a variation of its trademark is confusingly similar.
  7. Distributors shall not use the Company's marks in countries where it is prohibited.
  8. A Distributor must not use the name, logos, trademarks or other references to the Company's business or manufacturing partners in any Sales Tool, correspondence, or any form of advertising without the Company's express written consent.
  9. The Company's literature and media are copyrighted by the Company and may not be duplicated without written consent.
- F. No Altering. Distributors shall not re-label, alter or repackage any Products.
- G. Use of "Independent Distributor" in Advertising. If a Distributor selects a business title, the title must clearly state that the Distributor is a "XanGo Independent Distributor". A Distributor's title may not imply that the Distributor is an employee or agent of the Company. Each time the Company's logo or name is used in writing and in relation to the Distributor, the Distributor must identify itself as a "XanGo Independent Distributor".
- H. Methods of Advertising. Distributors may advertise using the following means:
1. Newspaper: A Distributor may place a generic business opportunity advertisement in the classified section of a local newspaper, provided the advertisement conforms to all applicable laws and regulations.
  2. Phone Directory: Any Distributor may place a text listing of its name in the white or yellow pages of a telephone directory followed by "XanGo Independent Distributor". Graphical and display ads in telephone directories are prohibited.
  3. Electronic Mail Advertisements: All advertisements sent via e-mail, telephone, or facsimile must comply with all anti-spamming laws for the state or country where the intended recipient resides. The Distributor is under obligation to research and comply with all laws concerning unsolicited commercial e-mail.
  4. Television and Radio: Television and radio advertising requires prior written approval from the Company's Marketing, Public Relations, and Legal departments. Requests should be submitted through the Distributor Education and Conduct department.
  5. Celebrity Endorsement: A Distributor may use a celebrity endorsement with written approval from the Company and the specific, prior, written approval of the endorsing celebrity for each use of the celebrity's name.
  6. Fairs, Swap Meets, Etc.: A Distributor may not sell or promote Products at bazaars, flea markets, fairs, swap meets, or other similar gatherings. A Distributor may promote and sell Products at tradeshow, except those where the Company announces on its website (www.xango.com) it will have an exclusive presence.
  7. Company-Sponsored Events: At Company-sponsored events, Distributors may not sell or promote non-Company products or services, or use any form of promotion deemed inappropriate by the Company.
  8. Internet Auction Sites: A Distributor may not sell or facilitate the sale of Product on Internet websites where an auction is the mode of selling or buying (e.g., eBay). A Distributor may not use a third party to place Product on auction websites. The provisions of this section survive the termination of the Contract.

- I. Public Relations Matters. The Company encourages Distributors to utilize personal media coverage to expand and build their business; however, certain situations require the Distributor to contact the Company's Public Relations Department. These would include:
1. instances where the story or medium has national potential;
  2. cases where the story calls for a wider company/Product perspective; and/or
  3. when the Distributor is questioned about company sales figures and/or business strategies.
- J. Income Claims Prohibition. A Distributor is prohibited from displaying to Distributors and Applicants or potential Applicants commissions checks, personal earnings, Downline Organization earnings, or other sales figures, projections, or income amounts from his or her Distributor Business.
- K. Health Claims Prohibition. A Distributor is prohibited from making any health claims of any kind with regard to the Product except for those claims, if any, that are published in Company literature approved for the country in which the claims are presented.
- L. Internet Advertising. Distributors may use only the Company-licensed Internet websites to promote Products or the business opportunity over the Internet. Promoting Products or the business opportunity through an unlicensed Internet website is strictly prohibited. Distributors that wish to operate licensed websites must meet the following criteria:
1. A Distributor may not enter into a website licensing agreement until it has completed a website training course given by the Company.
  2. All licensed websites are subject to a one-time initial fee and yearly maintenance fees, regardless of the date the website was created. The fees are described in the Internet licensing agreement, which is available upon request. These fees are necessary for the Company to provide training and personnel to monitor Distributor Internet websites for compliance with these Policies and Procedures.
  3. All licensed websites must first be reviewed and approved by the Company as Sales Tools, in accordance with paragraph B above. Licensed websites must be Company-specific and may not advertise, promote, or link to any other product or opportunity. However, all such sites, and any changes thereto, must first be reviewed and approved by the Company as Sales Tools, in accordance with paragraph B above. If approved, the Distributor must enter into a licensing agreement with the Company and the site must display a company-generated "licensed" designation. Changes made to the site after obtaining the initial license require written authorization from a representative of the Company's Distributor Education & Conduct Department.
  4. Distributors may not use any key words or meta tags to advertise any licensed website on the Internet if the search words or meta tags explicitly or implicitly present illegal or unsubstantiated health or income claims.
  5. Distributors must obtain written approval from the Company before initiating any sponsored links on Internet search engines to direct Internet traffic to an authorized Company-licensed Internet website.
  6. The Company may revoke the license for any previously approved website at any time and for any reason, including changes to federal and local laws and regulations.
- M. Retail Establishments: Except as described herein, a Distributor may not sell Products or promote the business opportunity through Retail Establishments. A Distributor is also prohibited from selling Products to any Person who the Distributor knows, or has reason to suspect, will ultimately sell those Products through Retail Establishments. The display of Independent Distributor information within the premises of a Retail Establishment is acceptable if it complies with all the relevant advertising requirements of this section and with the following:
1. The display may incorporate one bottle per retail establishment, and/or several images of the bottle, into a display for the sole purpose of advertising.
  2. No bottles, including the display, may be sold on the premises of the Retail Establishment.
  3. No retail establishment shall display or advertise Company product(s) or opportunities in a manner that is visible from outside the store.
  4. The Company-designated disclaimer must be prominently posted near the displayed bottle. The disclaimer may not be altered in size, color, content, etc. The disclaimer may be downloaded from the Company website and should state the following:  
"Thank you for your interest. As a direct selling company, XanGo® Juice is distributed and sold by Independent Distributors and not in retail stores. Please contact (Distributor's Name) at (Distributor's Contact Information) in order to purchase your bottle of XanGo Juice."
- N. Service Establishments: A Distributor may conduct Distributor Business through Service-related Establishments, except that no Product banners or other Sales Tools may be displayed to the general public in a manner that would attract the public into the Service-related Establishment. The Company has sole discretion in determining whether an establishment is a service-related establishment and a proper place for the sale of Products. If the Service-related Establishment is a restaurant, café, juice bar or the like, Product may be sold by the glass, but not by the bottle and the Distributor must provide ongoing support to the establishment.
- O. Lead Distribution. Persons who are outside the Company network often make inquiries to the Company about its Products. If the Company is able to determine that the inquiring Person received the information from a specific Distributor or that there is a particular Distributor that the Person is acquainted with, every attempt will be made to refer the Person to that Distributor. If an association with a particular Distributor cannot be determined, the Person will be randomly positioned under an existing "Premier"- level Distributor. Final judgment with respect to the positioning of leads remains the right of the Company.

## Section 8 - Breach of Contract Procedures

- A. Conditional Obligations. The Company's obligations to a Distributor are conditioned upon the Distributor's faithful performance of the terms and conditions of the Contract. The Company, in its sole discretion, will determine if a Distributor is in breach of the Contract and may elect any or all available remedies.
- B. Remedies. In the event of breach, Company may elect to take no action or to exercise some or all contractual remedies and remedies at law, including, but not limited to:
1. notify the Distributor either in writing or verbally of the breach and providing a notice to cure the breach;
  2. Require from the Distributor additional assurances of future compliance;
  3. Withhold or deny recognition and attendant perks;
  4. Assess damages and withhold them from commission payments;
  5. Suspend the Distributor Rights temporarily or permanently;
  6. Seek injunctive relief; and
  7. Terminate the Contract.
- C. Reporting Contract Breaches. If a Distributor observes or is aware of another Distributor's violation of any term or condition of the Contract, the observing Distributor shall submit a written complaint to the Company's Distributor Education & Conduct Department. Because of the difficulties of investigating and asserting appropriate remedies for stale claims, any complaint for breach of the terms and conditions of the Contract other than cross-company recruiting must be brought to the Company's attention for review within eighteen (18) months of the start of the alleged violation; cross-company recruiting violations must be brought to the Company's attention within six (6) months of the alleged violation. Failure to report a violation within that time period may result in the Company not pursuing the allegations in order to prevent the Distributor Business from being disrupted due to stale claims. However, this policy does not waive the Company's right to investigate and exercise stale claims.

## Section 9 - Termination

- A. Termination. A Distributor may terminate the Contract by failing to renew on the annual anniversary of the acceptance of his or her Distributor Agreement or by submitting to the Company in writing a request to terminate.
- B. Return of Confidential Information. A Distributor must return all Confidential Information over which he or she has direct or indirect control to the Company upon termination or upon demand of the Company. If any such Confidential Information cannot be returned because it is in electronic format, the Distributor shall permanently delete and erase the Confidential Information upon termination or upon demand.
- C. Buyback. The Company will buy back Products pursuant to the refund policies in Section 6 from a Distributor who voluntarily terminates his Distributorship. Subject to the restrictions included herein, any distributor kit and sales material, opened or unopened, may be returned within thirty (30) days of the shipping date for a full refund, minus shipping costs. If a Distributorship is in breach, the Company reserves the right to stop or delay the buy-back process until such time as it has determined what, if any, actions are have taken place.
- D. Effects of Termination for Breach of Contract.
1. A Distributor whose Contract is terminated by the Company must wait one (1) year before applying for a new Distributorship. During that time, the Distributor can have no Beneficial Interest in any other Distributorship. Prior to applying, he or she must first petition the Company through the Distributor Education and Conduct department. The petition will include an affidavit that must be signed under penalty of perjury and notarized in which the Distributor confirms that he or she has had no Beneficial Interest in any Distributorship during the prior one year.
  2. Upon termination, a Distributor's license to the Distributorship is revoked and all rights to the Distributor Business are terminated. Any unpaid commissions may be withheld by the Company for 30 days beyond their due date to determine damages, if any. If damages are assessed, the Distributor consents to the damages being offset from the commissions.
  3. Where the Company elects to revoke a license to a Distributorship in which there is more than one Beneficial Interest holder, the following may apply:
    - a. the departing Beneficial Interest holder(s) must relinquish all rights to, and interests in, the Distributorship;
    - b. The Company may not divide nor reassign any of the Downline Organization; and
    - c. The Company may not split Commissions between the prior or current Beneficial Interest holders of the Distributorship.
- E. Effects of Voluntary Termination by the Distributor.
1. The Contract can be voluntarily terminated by a Distributor who is not in breach of the Contract for any reason, at any time, by providing written notice to the Company signed by all Person(s) listed on the Distributor Agreement. The termination is effective on the date the Company receives the written notice, although processing of the termination request may be delayed until the following month if there is current Volume in the Distributorship.
  2. Upon termination, a Distributor's license to the Distributorship is revoked and all rights to the Distributor Business are terminated.

3. A Distributor who voluntarily terminates may re-apply for a new Distributorship under a new Sponsor no earlier than six (6) months from the date the Company receives written notice of the termination. During this six (6)-month period, the voluntarily terminated Distributor is not permitted to participate in any Distributor Business or have a Beneficial Interest in any Distributorship. Prior to applying, the Distributor must first petition the Company through the Distributor Education and Conduct department. The petition will include an affidavit that must be signed under penalty of perjury and notarized in which the Distributor confirms that he or she has had no Beneficial Interest in any Distributorship during the prior one year.
4. A Distributor may not terminate voluntarily if the Distributorship is not in good standing with the Company.

## Section 10 - Miscellaneous

- A. Entire Agreement. The Contract contains the entire understanding concerning the subject matter hereof between the Company and the Distributor, and is intended as a final, complete, and exclusive expression of the terms of the parties. This Contract supersedes and replaces all prior negotiations and proposed, but unexecuted agreements, either written or oral. Any prior agreements, promises, negotiations, or representations, either written or oral, relating to the subject matter of this Contract, are of no force or effect. If there is any discrepancy between verbal representations made to the Distributor by any employee or agent of the Company and the terms of the Contract, the express written terms and requirements of the Contract will prevail.
- B. Modifications by the Company. The Company reserves the right to make any modifications to the Contract, provided that the modifications are communicated by the Company to the Distributor at least thirty (30) days prior to taking effect. The Company may communicate these modifications by posting any portion of the modified Contract on the Company's website at [www.xango.com](http://www.xango.com), or by any other method of communication. The Distributor is deemed to have accepted the modification to the Contract if the Distributor engages in any Distributor Business, renews its Distributorship, or accepts Commissions after the thirty (30) day period is ended.
- C. Warranties. The Company extends no product warranties, either expressed or implied, beyond those specifically articulated in the Contract. The Company disclaims and excludes all warranties regarding possible infringement of any United States or foreign patent, trademark, trade name, copyright, or trade secret by the Distributor's operations and the Distributor shall not have claim therewith.
- D. Waiver. Any waiver by the Company of a Distributor's breach of a Contract provision must be in writing and will not be construed as a waiver of any subsequent or additional breach by the Distributor. The failure by the Company to exercise any right or privilege under the Contract will not constitute a waiver of that right or privilege.
- E. Severance. If any term or condition of this Contract is judicially invalidated, prohibited, or otherwise rendered unenforceable in any jurisdiction, it is unenforceable only to the extent of the invalid, prohibited or unenforceable provision in that jurisdiction only, and it will not render unenforceable or invalidate any other provision of the Contract, nor will the Contract be rendered unenforceable or invalidated in another jurisdiction.
- F. Force Majeure. Distributor acknowledges that the Company is not liable for any damages or losses caused by the delay or inability to manufacture, sell, or deliver its products due to labor strikes, accidents, fire, flood, acts of civil authority, acts of God, acts of terrorists, or from any other causes that are beyond the control of the Company.
- G. Governing Law. The State of Utah is the place of the origin of this Contract and is where the Company accepted the offer of the Applicant to become a Distributor and where the Distributor entered into the Contract with the Company. The Contract is therefore to be construed in accordance with the laws of the State of Utah as to contracts made and to be wholly performed within the State.
- H. Attorneys Fees. If any suit, action, or proceeding is brought to enforce any term or provision of this Contract, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs, and expenses incurred, in addition to any other relief to which such party may be legally entitled. Unless otherwise required by any arbitration clause herein, any legal action concerning the Contract shall be brought in the state and federal courts located in Salt Lake City, Utah. In the event any court of competent jurisdiction shall declare any portion of the Contract to be invalid, the remainder of the Contract shall not be invalidated thereby, but shall remain in full force and effect.
- I. Successors and Assigns. The Contract will be legal and binding upon and inure to the benefit of the parties and their respective successors and assigns.
- J. Limitation of Liability. To the extent permitted by law, the Company, its directors, officers, members, managers, shareholders, employees, assigns and agents (collectively referred to as "Responsible Parties") shall not be liable for, and the Distributor releases Company and its Responsible Parties from and waive all claims, for any loss of profits, indirect, direct, special or consequential damages, and for any other losses incurred or suffered by distributors as a result of: (a) Distributor's breach of the Contract, (b) the promotion or operation of the Distributorship and the Distributorship Business; (c) Distributor's incorrect or wrong data or information provided to the Company or its Responsible Parties; or (d) the Distributor's failure to provide any information or data necessary for the Company to operate its business. EACH DISTRIBUTOR AGREES THAT THE ENTIRE LIABILITY OF THE COMPANY AND ITS RESPONSIBLE PARTIES FOR ANY CLAIM WHATSOEVER RELATED TO THE CONTRACT, BUT NOT LIMITED TO, ANY CAUSE OF ACTION SOUNDING IN CONTRACT, TORT, OR EQUITY, SHALL NOT EXCEED, AND SHALL BE LIMITED TO, THE AMOUNT OF PRODUCTS THE DISTRIBUTOR HAS PURCHASED FROM THE COMPANY THAT ARE IN RESALABLE CONDITION.

## APPENDIX A

The following defined terms apply throughout the Contract and are capitalized where used:

Applicant	A Person who has submitted a Distributor Agreement.
Authorized Country	A country that the Company has officially sanctioned to be available to all Distributors for conducting the Distributor Business.
Automatic Delivery Program (ADP)	An optional program that authorizes the Company to automatically ship Product to a Distributor on a recurring monthly basis.
Beneficial Interest	A Person is deemed to have a Beneficial Interest in a Distributorship if he/she/it has: (1) any direct or indirect ownership in a Distributorship as an individual, partner, shareholder, member, manager, beneficiary, trustee, officer, director or principal of a Distributorship; (2) has any actual or de facto control over a Distributorship; (3) receives any income directly or indirectly from a Distributorship (other than the receipt of income pursuant to the Compensation Plan by an Upline Distributor); (4) receives familial support from a Distributorship; (5) receives spousal support derived from a Distributorship; (5) is a member of the Distributor's immediate household; (6) is a spouse or Co-habitant; or (7) has any other similar interest in a Distributorship.
Business Entity	Any type of business association authorized under the laws of the jurisdiction in which it was organized. This includes, but is not limited to, legally formed: corporations, partnerships, trusts, and limited-liability companies.
Co-habitant	An individual who is 18 years of age or older who shares with another person a common residency and marriage-like relationship.
Commissions	Compensation paid to a Distributor based on the Volume of Products sold or purchased by the Distributor and its Downline Organization. Eligibility to receive Commissions is determined by the monthly sales requirements currently in effect, as outlined in the Compensation Plan.
Company	XanGo, LLC, a Utah limited liability company, or any lawful assignee, successor, subsidiary, or affiliate regardless of geographic location.
Compensation Plan	The specific plan used by the Company that details the requirements and benefits of the compensation structure for Distributors. The Compensation Plan can be found at Appendix B to these Policies and Procedures.
Confidential Information	Information disclosed in connection with the Distributor Rights, including, but not limited to, information regarding (i) Downline Organizations or Upline Distributors, including Distributor names and contact information, (ii) business plans, projections, trade secrets, analyses, and related information. Confidential Information may take the form of documentation, drawings, specifications, software, technical or engineering data, or other forms, and may be disclosed orally, in writing, by electronic or magnetic media, by visual observation, or by other means.
Contract	The documents describing the specific relationship between a Distributor and the Company, comprising the Distributor Agreement, the Statement of Beneficial Interest, the Compensation Plan, the Policies and Procedures and any country or situation-specific addendum(s) thereto, and any other written agreement between the Distributor and the Company, which documents are incorporated herein by reference.
Cross Company Recruiting.	See Section 2.J.
Cross-line Recruiting	Sponsoring, or a solicitation to Sponsor, indirectly or otherwise, another Distributor (or anyone with a Beneficial Interest in that Distributor's Distributorship).
Customer	A non-Distributor that purchases Products at retail price.
Date of Sign-up	The date the Company receives and accepts an Applicant's Distributor Agreement bearing an original signature or electronic copy of an original signature.
Distributor	A Person currently licensed by the Company to operate a Distributorship. If more than one Person is named on the Distributor Agreement, then "Distributor" may refer to all Persons collectively.
Distributor Agreement	The agreement submitted by an Applicant to become a Distributor. In signing the Distributor Agreement, an Applicant certifies that he or she has read and will abide by the terms and conditions of the Contract.
Distributor Business	Activities determined at the sole discretion of the Company to be a promotion of the Company's Products or business opportunity. Some of these activities include, but are not restricted to: signing a Distributor Agreement; advertising, selling or exhibiting Product; hosting, conducting, or speaking at meetings or events (whether hosted by the Company or by a Distributor); purchasing Product at Wholesale prices, exchanging, or returning Products; participating in the Compensation Plan, receiving periodic Company literature and other communications, participation in Company-sponsored support service training, motivational and recognition events; and/or sponsoring new Distributors.
Distributor Rights	The rights in the Contract licensed to a Distributor to conduct the Distributor Business.
Distributorship	A defined position within the Company's network of distributors that is the subject of the Contract.

Downline Organization	A genealogically structured organization comprised of Distributors and their Customers who are below a Distributor in his or her Sponsor Tree or Placement Tree. The Distributors will have been personally Sponsored (i) by a Distributor and are downline of that Distributor through Placement or Sponsorship, or (ii) by those who the Distributor has Sponsored or placed through Placement, and their respective Customers, all in a direct chain of Distributorships below the Distributor.
Electronic Funds Transfer (EFT)	An optional program that authorizes the Company to electronically debit a Distributor's bank account for the amount of an order and renewals fees.
Front Line	The Distributors who appear on the first level of the Sponsor Tree of the immediate Downline Organization of any particular Distributor. They may appear through Sponsorship Compression. The CV of Customers is treated as if it were Frontline for purposes of calculating Unilevel Commissions.
Identification Number	The number issued specifically to an individual or company by the government. Examples include: social security number (US individuals), social insurance number (Canadian individuals), employment identification number (US companies), Identity Card Number or NRIC Number (Singaporean individuals), and ID Card Number (Taiwanese individuals).
Initial Order	A Distributor's first Product order with CV, shipped to a single address. If it is placed within thirty (30) days of the Date of Sign-up, the order's CV will be paid as PowerStart Commission.
Person	An individual, a Business Entity, or any other entity with a distinct separate existence, and its successors, heirs, or assigns, as the case may be.
Placement	As a noun: A Distributor who has directly recruited another Distributor into his or her Placement Tree (as defined in the Compensation Plan); as a verb; as a verb: the positioning by a Sponsor of a Distributor in his or her Downline Organization.
Policies and Procedures	The policies and procedures of the Company contained herein, including attachments and addenda, which are incorporated herein by this reference, as the same may be amended from time to time by the Company.
Pre-Launch Period	A period of time announced by the Company prior to a country becoming an Authorized Country during which a Distributor may begin preparation to commence the Distributor Business within that country.
Product	Any good or service that has Volume assigned to it and that is offered by the Company. Sales tools and promotional material are not included in this definition.
Rank	The current payout qualification level of the Distributorship according to the Compensation Plan. The Rank of a Distributor, which will affect the Distributor's commissions calculated from the Sponsor Tree (as defined in the Compensation Plan), may fluctuate monthly and depends on the Distributor meeting various qualifications outlined in the Compensation Plan.
Retail Establishment	Any enterprise that is not a Service-related Establishment. Examples include, but are not limited to mass market and specialty stores.
Retail Sales	Sales by a Distributor of the Product to his or her Customers.
Sales Tool	Any information, material or product created by the Distributor for Distributor Business.
Service-related Establishment	An enterprise where the general public typically does not have ready access unless through appointment or membership, and/or where the primary-function of the enterprise is the rendering of professional services rather than selling merchandise. Examples include, but are not limited to private or restricted-access offices, spas, gyms, or private associations that may retail some products, but whose primary purpose is to offer a service.
Sponsor	As a noun: a Distributor who has directly recruited another Distributor into his or her Downline Organization; As a verb: the act of directly recruiting another Distributor into his or her Downline Organization.
Statement of Beneficial Interest	A document required as part of the Contract if an Applicant is applying as a Business Entity. The Statement of Beneficial Interest must list all persons who are partners, shareholders, principals, members, managers, officers, directors, trustees, beneficiaries, or who otherwise have any direct or indirect Beneficial Interest in or control over the Business Entity.
Title	The highest Rank ever achieved by a Distributor that is used for recognition purposes.
Upline	The single-line hierarchy of Sponsors and/or Distributors extending upward from a Distributorship.
Volume	A value assigned to a Product for commission purposes.
Wholesale	The price the Company charges Distributors for Products

# Malaysia Addendum

**This addendum to the XanGo Distributor Policies and Procedures (the “Addendum”) shall apply in Malaysia only**

1. Business Documentation. Section 1E of the Policies and Procedures is modified to require the appropriate business documentation in Malaysia as requested by the Company.
2. Pricing. Subject to the pricing as approved by the relevant authorities, if a Distributor sells the Product below the Wholesale price established by the Company, such Distributor shall be in breach of the Contract and subject to the provisions of Section 8 of the Policies and Procedures.
3. Currency. All references in the Contract to fees in USD shall be charged in the local currency at the exchange rate used by the Company on the date of the charge.
4. Cooling Off Period. The Contract is subject to the requirements set forth in the Direct Sales Act of 1993, to provide for a ten (10) working day cooling off period.
5. Refund. The Contract is subject to the requirements set forth in Regulation 6 of the Direct Sales (Schemes and Conduct) Regulations 2001, that Mangosteen Beverage (Malaysia) Sdn. Bhd. shall refund any “marketable goods” sold to a participant within the previous 180 days at a price not less than 90% of the amount paid.
6. Code of Ethics. The term “Contract,” as defined in the Appendix to the Policies and Procedures, shall also include the Code of Ethics as adopted by Mangosteen Beverage (Malaysia) Sdn. Bhd.
7. Conflict of Laws. To the extent that any provision in the Contract contravenes the laws of Malaysia, including the Direct Sales Act and accompanying regulations, such provision shall not be valid or enforceable in Malaysia. If any such provision is invalidated, prohibited, or otherwise rendered unenforceable pursuant to the terms of this Addendum, it shall be unenforceable only to the extent of the invalid, prohibited or unenforceable provision in Malaysia only, and it will not render unenforceable or invalidate any other provision of the Contract, nor will the Contract be rendered unenforceable or invalidated in another jurisdiction.
8. Rescission Notice. The rescission notice for a Distributor, required by the Direct Sales Regulations of 1993, shall substantially be in the form as set forth on the following page:

**NOTICE OF RIGHT OF RESCISSION**  
**BEFORE THE EXPIRY OF THE COOLING-OFF PERIOD**

To :

.....  
.....

(insert name and address of Distributor)

Take notice that you have the right to rescind the contract before the expiry of the cooling-off period, that is, before the end of the period of ten working days commencing on the day after the date of the making of this contract by giving a notice in writing in the Form as set out in Part II below.

Date :

Signed :

(Mangosteen Beverage (Malaysia) Sdn. Bhd.)

Name :

Address :

Part II (Please Detach Here)

Mangosteen Beverage (Malaysia) Sdn. Bhd.

(Address)

Take notice that I ..... of.....

hereby rescind the contract made by me on the .....day of .....200... to purchase or to be provided with .....[Insert concise description of the goods or services].....

.....

Dated this ..... day of .....200....

(Insert signature, name and address of prospective Distributor)

Signed :

Name :

Address :



