

# **XANGO**

## **Distributor Policies and Procedures and Compensation Plan**

**United Kingdom**

**Effective January 30, 2010**

## Table of Contents

Policies & Procedures .....	3
Code of Ethics.....	3
Section 1 Becoming a Distributor .....	4
Section 2 Obligations of a Distributor and Managing a Distributorship.....	5
Section 3 Sponsorship.....	10
Section 4 Sponsor/Placement Changes; Transfers; Beneficial Interests .....	11
Section 5 Compensation .....	15
Section 6 Ordering Company Products.....	16
Section 7 Marketing the Product and Opportunity .....	21
Section 8 Breach of Contract Procedures.....	27
Section 9 Termination.....	28
Section 10 Miscellaneous.....	29
APPENDIX A Defined Terms.....	33
APPENDIX B COMPENSATION PLAN .....	38
Section 1 – Payment of Commissions .....	38
Section 2 – Distributor Ranks.....	39
Section 3 – PowerStart Commissions.....	40
Section 4 – UniLevel Commissions.....	41
Section 5 – Global Bonus Pool Commissions.....	42
Section 6 – 500K Bonus Pool Commissions.....	43
Section 7 – Retail Sales Commissions .....	44
Section 8 – Incentive Trips and Awards.....	44
Section 9 – Definitions.....	44

## **Policies & Procedures**

These Policies & Procedures, are effective as of the date first displayed above and govern the way a XanGo® Distributor conducts business with the Company, other Distributors, and with retail Customers. They replace and succeed all previous versions. The governing definitions are capitalized and found in Appendix A. 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), the Distributor Agreement and any country or situation-specific addendum(s) thereto, and any other written agreement between the Distributor and the Company 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, what is collectively 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 and any amendments thereto.

The Company may amend any part of 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 agrees to abide 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.
  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.
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## **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 is authorized by the Company to exercise Distributor Rights and operate a Distributorship when he or she (i) purchases a Distributor kit; (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 Distributor 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. 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, for second or greater requests, (iv) a one hundred dollar (\$100 USD or equivalent local currency) 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.
- I. 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 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.
- J. Non-Exclusive Territory. The authorization of a Distributor to exercise Distributor Rights and operate a Distributorship hereunder 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. 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 Products.
- D. Offerings. A Distributor may not offer or promote any non-Company plans, incentives, opportunities, or non-approved Sales Tools in conjunction with the promotion of Products.
- E. Promotion of Competing Products. A Distributor is prohibited during the term of the Contract from promoting or selling in any Authorized Country any non-Company brand ingestible or topical products which have as an ingredient, xanthones or any substance derived, in whole or in part, from the L. Garcinia mangostana fruit or plant or the Eurycoma Longifolia plant, more commonly known as Tongkat Ali.
- F. Non-Competition. Subject to the provisions of this Section, a Distributor is prohibited, during the term of the Contract, from building a business, directly or indirectly, as an independent distributor, employee, executive, or consultant to or on behalf of a Competing Company. This Section does not apply to a Distributor if, prior to becoming a Distributor with the Company or prior to the effective date of this policy, he or she was acting as an independent distributor, employee, executive, or consultant to or on behalf of a Competing Company.
- G. Retail Sales. Achieving success as a Distributor requires time, effort and commitment. There are no guarantees of Commissions, only rewards based upon productivity. A successful Distributor Business requires regular and repeated Retail Sales of Products by a Distributor. Retail Sales by a Distributor's Downline Organization also contributes to the success of a Distributor Business. The Company encourages Retail Sales to at least two Customers on a monthly basis. A Distributor is required to keep all records of Retail Sales for at least four years and compliance with Retail Sales requirements of the Company is randomly monitored by the Company. Each Product purchased by non-Distributors or Customers is automatically counted on a monthly basis towards Retail Sales requirements.
- H. 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.
- I. 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 which are not compliant with the provisions of the Policies and Procedures;
  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; or
  14. Violating the Contract.
- J. Cross-line Recruiting. The Distributor is prohibited from engaging in Cross-line Recruiting.
- K. Cross-Company Recruiting.
1. If a Distributor did not personally sponsor another Distributor on his or her Frontline, he or she is prohibited, during the term of the Contract and for one (1) year following the date of termination of the Contract, from Recruiting that Distributor to sell or purchase products or services other than those offered by XanGo. The Distributor stipulates and agrees that Recruiting constitutes an unreasonable and unwarranted interference with the contractual relationship between the Company and its Distributors, conversion of the Company's property, and misappropriation of the Company's trade secrets. The Distributor further stipulates and agrees that any violation of this rule will inflict immediate and irreparable harm on the Company, and that the Company shall be entitled, in addition to any other remedies that may be available, to immediate, temporary, preliminary, and permanent injunctive relief without bond; and that such injunctive relief may extend the post-

termination period of this restriction for up to one (1) year from the date of the last violation of this provision. 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 or any other violations of the Contract.

2. 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.
- L. 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 their Downline Organizations. Any personal disputes between Distributors must be resolved quickly, privately, and in the best interests of the Company.
- M. 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 of equal Rank do not have.
- N. 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 in Section 8.
- O. No Reliance. A Distributor may not rely on the Company to provide legal, tax, financial, or other professional advice, nor may it rely on any such advice if given.
- P. 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) per hour, plus actual costs, with a minimum charge of forty dollars (\$40 USD or equivalent local currency) per request. Costs would include banking fees, photocopy expenses, professional fees, etc.
- Q. 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.
- R. Confidentiality. Upon signing a Distributor Agreement, the Distributor agrees to maintain confidentiality regarding Confidential Information and any other trade secrets and proprietary information. This confidentiality obligation is irrevocable and permanent, remains after termination of the Contract, and is subject to legal enforcement by injunction and award of costs and fees necessarily incurred. All Confidential Information is transmitted to, or allowed to be gathered by, Distributors in strictest confidence on a need-to-know basis for use solely in the Distributor Business. Distributors must use their best efforts to keep such information confidential and must not disclose any such information to any third party, directly or indirectly. Distributors must not use the Confidential Information or any information derived therefrom to compete with the Company or for any purpose other than for promoting the Company's program and its products and services. The Distributor maintains no ownership interest in any Confidential Information or any information derived therefrom, including contact and profile information of Downline Organizations, or other Distributor contact information gathered in connection with the

Distributor's Business, and may not sell, disseminate, or provide it to any other party. The Distributor acknowledges and agrees that the Confidential Information received by the Distributor relating to the profiles and reports of Downline Organizations or other Distributor Information gathered in connection with the Distributor Business, including any information derived therefrom, constitutes the Company's trade secrets.

- S. 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 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.
- T. Use of Confidential Information. The Distributor may acquire Confidential Information during the term hereof, for example, from the sale of Distributor tools or merchandise to the Company's Distributors, including those who are crossline to the Distributor. Accordingly, regardless of the source of the Confidential Information, the Distributor understands and agrees:
1. the Confidential Information is 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 immediate, temporary, preliminary, and permanent injunctive relief, in addition to all other remedies available in law or equity, to prevent or compensate for any 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;
  5. he or she may be required to sign a non-disclosure agreement before receiving Confidential Information from the Company, or prior to engaging in activities that would allow the Distributor to acquire Confidential Information; and
  6. upon expiration, non-renewal or termination of the Contract, he or she will discontinue the use of such Confidential Information and destroy or promptly return to the Company all Confidential Information under the control of or in his or her possession. The provisions of Section 2.R, 2.S, and 2.T survive the termination of the Contract.
- U. 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.
- V. Release for use of Photo, Audio, or Video Image, and/or testimonial Endorsement.

1. 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.
2. The Distributor agrees that photos, audio or video recordings taken by the Distributor or any third party at the Company's events or activities may not be used by the Distributor or any third parties to promote any business other than the Distributor Business.

W. 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 may 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 Frontline 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 privately settle any dispute arising in his or her Downline Organization.

#### **Section 4 Sponsor/Placement Changes; Transfers; Beneficial Interests**

- 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, a 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; therefore, the Company has complete discretion to allow or disallow any proposed change.
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 (-7 UTC Standard and -6 UTC Mountain Daylight 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 (-7 UTC Standard and -6 UTC Mountain Daylight 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. A Distributorship may be moved to a new position in the Downline Organization of its immediate Placement if its Distributor obtains the written authorization of the original Sponsor and the Distributor itself, provided that:
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 (as such term is defined in the Compensation Plan).
- 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. Sale or Transfer of a Distributorship. A Distributorship sale, assignment or transfer occurs when a Distributor sells, assigns or transfers ownership or control of a Distributorship to another Person. (If a member, director, manager, shareholder, partner, executive or similar position or title sells, assigns, or transfers a controlling or majority interest in a Business Entity Distributorship which has a Beneficial Interest in a Distributorship, such sale, assignment or transfer is subject to these provisions herein). The Company reserves the right, in its sole discretion, to approve or disapprove any proposed sale, assignment or transfer of a Distributorship. The sale, assignment or transfer of a Distributorship may only occur if, at the time of the sale, assignment or transfer, the Distributorship is in good standing pursuant to the terms of Section 9.E herein. In any sale, assignment or transfer, the transferee Distributor will retain the same Downline Organization and the same Rank/Title held before the approved transfer. A Distributorship may be assigned or transferred without consideration (e.g. as a gift) subject to the Company's prior written approval. Any sale, assignment or transfer of a Distributorship is subject to the conditions of this Section 4.E and Sections 4.F, 4.G, 4.H and 4.I below.
- 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 Qualified Direct Upline.
1. If a Distributor receives a Bona Fide Offer to purchase his or her Distributorship, the Distributor shall first offer to sell such Distributorship 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. 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.
  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 complies 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 Section 4.F 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 minority member who is removed from a company; or a shareholder, not holding a controlling interest, sells his or her interest in a company.)
  - 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. Should a Distributor transfer his or her Distributorship to the Qualified Direct Upline, the Qualified Direct Upline may merge the Distributorship into his or her existing Distributorship or hold the Distributorship for up to six (6) months to find and transfer the Distributorship to a new buyer. Failure to transfer the Distributorship within the time limit will result in the Distributorship being merged into the Qualified Direct Upline's Distributorship in accordance with the Distributorship transfer procedures.
5. If a Distributor sells or transfers his or her Distributorship and, within one year of the date of sale, he or she signs-up, joins or begins work for another direct selling, network marketing or multi-level marketing company, such action shall be considered a breach of the Contract and the Company reserves the right to terminate such transferred Distributorship pursuant to the termination provisions under the Contract. This provision shall survive the termination of the Contract
6. All sales or transfers of Distributorships below the Premier Rank may, at the Company's sole discretion, be subject to a non-competition obligation between the selling or transferring Distributor and the Company, of up to six (6) months, pursuant to the terms of sale or transfer

documentation provided by the Company. All sales or transfers of Distributorships of Premier Rank or higher shall be subject to a non-competition obligation between the selling or transferring Distributor, the purchasing Distributor, and the Company, of not less than one (1) year, pursuant to the terms of sale or transfer documentation provided by the Company at that time.

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 equivalent local currency) fee will be assessed per each request.
6. An additional thirty-five dollar (\$35 USD or equivalent local currency) fee may be assessed for any application that is incomplete, incorrect, or rejected.

I. Interpretation. The interpretation of these Policies & Procedures pertaining to the sale, assignment 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. 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 written 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.
3. The Company's restrictions against multiple Beneficial Interests ensures that (i) all efforts by a Distributor to build his or her Distributor Business are focused on a single Distributorship and not diluted through the demands of multiple Distributorships; and (ii) the Upline receives the full benefit of the Distributor's efforts. In determining whether or not a Distributor has a Beneficial Interest, the Company considers the meaning of the term as set forth in the definition in Appendix A as well as the intent of such restriction.

L. 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 Contract will be assigned to the existing Distributor and the Company will allow the multiple Beneficial Interest through inheritance; provided, however, that the existing Distributor does not already own another Distributorship through inheritance. If the existing Distributor already owns another Distributorship through inheritance, 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 the existing or one of the inherited Distributorships.

## **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. A Distributor does not receive compensation for sponsoring or recruiting other Distributors. The only way to earn Commissions is through the sale of Products.
- 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.
  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 20<sup>th</sup> day of each month. All non-online Product orders must be received by the Company before 5:00 p.m. Mountain Time (-7 UTC Standard and -6 UTC Mountain Daylight Time) 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. Mountain Time 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 fifteen dollars (\$15 USD or equivalent local currency). If a check must be reissued because of the Company's error, no additional charge will be applied.
- D. Minimum Payment Amount. The minimum amount for payment of commission and bonus 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 Unpaid Payments. The Company makes every effort to ensure that a Distributor receives its commission payments. However, if a commission payment is unpaid due to insufficient information or other reasons beyond the control of the Company, the payment will be held for the benefit of the Distributor for 180 days. During this time the company will make reasonable efforts to contact the Distributor and effect a completed payment in full. After such 180 days, a monthly maintenance charge of ten dollars (\$10 USD or equivalent local currency) will be deducted from the Distributor's payment. If the commission is issued in the form of a check and such check is returned or not presented for payment for some reason beyond the control of the Company, the check shall be voided and the Distributor may also be charged a one-time cancellation/stop payment fee of up to fifteen dollars (\$15 USD or equivalent local currency) in addition to the monthly maintenance charge.
- 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 any other 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 headquarters.
1. Faxed, mailed, or personally delivered orders must be submitted using a current Distributor price list and a fully completed order form. The prices of the Company's Products are subject to change at the discretion of the Company.
  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 must 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 may 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. Alternatively, the Company may, in its sole discretion, (i) convert such order to another Company Product order, including, but not limited to, the XanGo Goodness Meal Pack Product, or (ii) cause the Distributor to forfeit the order.
- 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. 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 website under the specific country link. There may be a waiting period for EFT implementation.
  2. EFT may be available for orders of Product in some Authorized Countries; however, availability varies by country. 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.

F. 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.

G. 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 at a set time thereafter. The Distributor may obtain tracking numbers from the Company after the Product is shipped. The scheduled dates for ADP processing, account charges, shipping or account changes are posted on the Company's myxango office website and are subject to change by the Company from time to time.
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 a specified date each month (see the scheduled dates for ADP posted on the Company's myxango office website), 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



- J. 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.
- K. Returns, Refunds, and Exchanges. The Company will refund the purchase price of Product or exchange it pursuant to the following.
1. If the Distributor (and/or his or her Customer who ordered directly from the Company) is not completely satisfied with the First Product Purchase, he or she may send to the Company the unused portion of the First Product Purchase within thirty (30) days of the original purchase date and the Company will refund 100% of the purchase price (less shipping and handling). If the First Product Purchase is returned after the thirty (30) day period, the Company will refund 90% of the purchase price (less shipping and handling).
  2. For orders other than the First Product Purchase, the Company will refund the purchase price of returned Products, less a 10% restocking fee.
  3. A Distributor requesting a refund (and his or her Customer who ordered directly from the Company) must contact the Company's Customer Service department to obtain a return merchandise authorization (RMA) number from the Company. Product returned to the Company must have an RMA number written on the outside of the shipping carton and any Product without an RMA number will not qualify for a refund and will be returned to the Distributor at the Distributor's expense. Upon receipt of the returned Product, the return will be noted by the Company and a refund will be issued to the Distributor within thirty (30) days. Refund payment 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. No refunds will be issued after one year from the purchase date. All refunds are subject to:
    - a. The request for a refund being made within ninety (90) days of purchase;
    - b. The 70% rule in Section 6.H above (Distributors only);
    - c. The Product being returned in a marketable condition (unopened, unaltered and resalable) as determined by the Company;
    - d. The Product being sent through a form of delivery that can be traced (e.g., UPS) and received within seven (7) days of contacting the Company.
  4. 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.
  5. 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

6. 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 Organization Volume at the close of a Commissions period, as returns may cause changes to his or her Title, Rank and/or Commissions payout.
  7. All shipping or courier costs for the return of Product will be borne solely by the Distributor unless otherwise prohibited by law. 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. Partial Product returns will not be accepted or refunded in accordance with the Company's standard return policies.
  8. 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.
- L. 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.E, Termination. Such buy back is subject to the return policies set forth in this Section, except that sales materials (open or unopened) purchased by the Distributor are subject to a 100% refund of the purchase price, less shipping costs. Written notice of a Distributor's voluntary termination is required to obtain a refund when returning the Distributor kit and/or sales materials.

## **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 express or implied health or medical claims of any kind relating to any Product except for those claims, if any, that are published in Company literature approved for the country in which the claims are presented. 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 Altering. Distributors shall not re-label, alter or repackage any Products.
- E. 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.
- F. Income Claims Prohibition. A Distributor is prohibited from making false, misleading, or unrepresentative claims regarding earning potential. If a Distributor does make an income claim, it must be based on actual earnings and the Company's current Annual Average Income Disclosure, posted on the Company's myxango office website, must be presented concurrent with the income claim.
- G. 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. Except as indicated herein, 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, URL, telephone number, or in any other address or title. A Distributor may use the Company's trademarks, except the marks associated with the word "XanGo," in a URL, Internet domain or sub-domain name provided that the Distributor has entered into a licensing agreement for a Company Licensed Website. The Distributor agrees to comply with the terms of such licensing agreement and hereby acknowledges that the Company owns, and shall continue to own, all rights in and to the Company's trademarks in such URL, Internet domain or sub-domain name and that the Company has the right to revoke such use of the Company's trademarks for any reason and at any time. The Distributor further agrees that the Company has the right to acquire such URL at any time by paying the nominal registration fee to the Distributor and Distributor agrees to transfer such URL to the Company and take any other necessary steps requested by the Company to effectuate such transfer.
  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 the use of such marks 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.
  9. The Company's literature and media are copyrighted by the Company and may not be duplicated.
- H. 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."
- I. 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. 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 or sell Product to a third party if the Distributor knows, or has reason to know, that such Product will be sold on auction websites. The provisions of this Section survive the termination of the Contract.
- J. Advertising at Company Sponsored Events. At Company-sponsored events, Distributors may not, unless specifically authorized in writing by the Company, advertise, sell, or promote non-Company products or services, including, but not limited to: (i) the promotion of non-Company events, systems or materials, (ii) organized person to person solicitations, (iii) distribution of flyers, DVDs

or other materials, or (iv) the use of any other form of promotion deemed inappropriate by the Company.

- K. Internet Advertising. Subject to the provisions of Section K.7 herein, Distributors may use only a Company Licensed Website 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 a Company Licensed Website 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 Section 7.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 Section 7.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 a Company Licensed 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.
  7. Distributors may promote the business opportunity and Products on social networking sites such as "Facebook" and "Twitter;" video sites such as "YouTube" and "Google Video;" and blogging sites such as "Wordpress" and "Blogger" (collectively "Social Media Sites"), without complying with Sections K.1 through K.6, provided the following conditions are met:
    - a. All text, audio and video postings do not contain Product or income claims. For Product information, Distributors may refer viewers to their myxango replicated website, the Company website, or a Company Licensed Website;
    - b. Videos posted to Social Media Sites show the text "XanGo Independent Distributor" for the entirety of the video;
    - c. Completion of the Company's website training course; and

- d. The Company may monitor the Social Media Sites for compliance with the Contract and Distributor agrees to immediately remove or modify the Social Media Sites upon the Company's request to comply with the Contract.
- L. Advertising and Selling Price of Products on the Internet. Distributor acknowledges and agrees that the advertising and selling of all Products on the Internet may only be done on a Company Licensed Website and the advertising and selling price of all Products on such website (i) if sold to an Applicant, must not be lower than the Wholesale price of the Products plus reasonable shipping and the amount the Company charges for taxes, handling and the Applicant must also be charged the Distributor kit fee; and (ii) if sold to a non-Applicant (e.g. Customer, etc.), must not be lower than the Company's Suggested Retail price plus reasonable shipping and the amount the Company charges for, taxes and handling of the Products. In connection with this Section, the Distributor also agrees that all advertising regarding the price of Products will be truthful and will not contain misleading statements (e.g. "lowest price available" which infers that a Distributor is able to sell the Products at a price lower than other Distributors, etc.). Distributor acknowledges and agrees that he or she shall not advertise or sell any Products on the Internet which were purchased from another Distributor. Any violation of this Section by a Distributor shall constitute a breach of the Contract and will be subject to the breach of Contract procedures set forth herein.
- M. Mass Communications. For purposes of this Section, "Mass Communications" are defined as communications intended to reach fifty (50) or more Distributors in the sender's Downline Organization or at least three Distributors who are cross-line, within a seven (7) day period. The following rules apply to all Mass Communications issued by a Distributor:
1. Distributors targeted to receive the Mass Communications must have knowingly "opted in" to hear or receive the Mass Communication
    - a. through registration (if the Mass Communication will be received at an event or webinar); and/or
    - b. through an affirmative request if the Mass Communication is delivered through an email or on a website.
  2. If by e-mail, there must be an "opt out" feature prominently displayed in the Mass Communication.
  3. The Mass Communication must comply with the terms of this Section.
  4. The following disclaimer shall be prominently positioned in all Mass Communications that promote any particular building method:

There are many methods and techniques used successfully for building your XanGo business. The building method promoted [in/at] this [website/webinar/email/ meeting/] may be different from that which is taught by your upline. Please consult with your upline if they have taught you a different building method or if you have any questions.
  5. Distributor acknowledges that allowing the Distributor to create databases of Distributor information for Mass Communications, the sale of tools, and for any other purposes constitutes the use of Company Confidential Information, which information is the Company's trade secrets, and such use can be a substantial financial benefit to the Distributor. Distributor acknowledges that he or she is subject to the Cross-Company

Recruiting obligations set forth in Section 2.K above. This Section shall survive the termination of the Contract.

- N. 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.
- O. Public Relations Matters. The Company encourages Distributors to use 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.
- P. 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 of each Product per Retail Establishment, and/or several images of such Products, into a display for the sole purpose of advertising.
  2. No Products, 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 Products. 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® products are 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 XanGo products."
  5. If the Retail Establishment is a restaurant, café, juice bar, or the like, Products may only be sold in trial amounts (e.g. by the glass, etc.), and the Distributor must provide ongoing support to the establishment.
- Q. 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.

## **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, the Company may elect to take no action or to exercise some or all contractual remedies and remedies at law or in equity, 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 Distributor Rights temporarily or permanently;
  6. Seek injunctive relief;
  7. Terminate the Contract; and
  8. Seek damages and associated costs.
- 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 on the applicable form provided by such 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 discipline Distributors found guilty of the stale claims.
- D. Circumvention of the Contract. The Contract is designed to protect Distributors and the Company from the adverse consequences of their violation. Distributors who intentionally circumvent the Contract to accomplish indirectly what is prohibited directly will be disciplined as if the applicable policy or rule had been broken directly. In such circumstances, all of the available remedies as stated above will be available to the Company. The Contract is not intended to give a Distributor the right to enforce the Contract against another Distributor directly, or to take any legal action against another Distributor.

## Section 9 Termination

### A. Termination.

1. 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, subject to Section 9.E herein.
2. The Company may terminate the Contract if the Distributor violates the terms of the Contract and any amendments thereto.
3. Upon termination, the Company may in its sole discretion retain the Distributorship or dissolve and remove it from the Sponsor and Placement Trees.

### B. Return of Confidential Information. A Distributor must return all Confidential Information, including any information derived therefrom, 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. If a Distributor is in breach, the Company reserves the right to stop or delay the buy-back process set forth in Section 6.L herein.

### 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 of the Contract, all of the Distributor's rights in and to the Distributorship and the Distributor Business are revoked and terminated. In acknowledgement of the damages the Company has likely suffered and/or will suffer as a result of Distributor's breach, including but not limited to, all or any of the following: (i) loss of good will and loss in the value of the Company's confidential and proprietary information and trade secrets; (ii) loss of a portion of the value of the Company's business; and (iii) loss of future profits; Distributor consents that any unpaid Commissions may be forfeited to the Company to offset a portion of the damages.
3. The Company may elect to reorganize the Downline Organization of a Distributorship terminated for breach in a manner that serves the best interests of the Company, Downline Organization and Upline.
4. Where the Company elects to terminate 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 or 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. If a Distributor is in breach of the Contract, he or she cannot voluntarily or unilaterally terminate the Contract until the longer of: (i) the last day of the renewal period of the Contract, or (ii) the last day of the period equal to the amount of time such Distributor had been in violation of the Contract prior to the Company's discovery of the breach, but not to exceed one (1) year. In such a case, the Company may elect any and all available remedies for breach of the Contract pursuant to Section 8, and the Distributor shall not be entitled to receive any Commissions during such period, as determined by the Company in its sole discretion.
2. Upon termination of the Contract, all of the Distributor's rights in and to the Distributorship and the Distributor Business are revoked and 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.
4. A Distributor may not terminate voluntarily if the Distributorship is not in good standing with the Company, as may be evidenced by, but not limited to, any of the following conditions: (i) a temporary Distributorship; (ii) a Distributorship is on hold, suspension or probation; (iii) the Distributorship is under investigation, but no formal discipline has taken place; or (iv) notice of intent to terminate has been sent.

- F. Survival. Sections 2.E, 2.F, 2.K, 2.R, 2.S, 2.T, 8, 9, and 10 shall survive the termination of the Contract. The termination, relinquishment or expiration of the Contract shall not relieve the Distributor from obligations that are expressly indicated in the Contract to survive termination or expiration of the Contract.

## **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. Headings. The section and subsection headings in the Contract are inserted solely as a matter of convenience and for reference, and will not be considered in the construction or interpretation of any

provision hereof. Unless the context otherwise specifically requires, all references to sections of the Contract will refer to all subsections thereof.

- C. 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, 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.
- D. Ambiguities. Ambiguities, if any, in the Contract shall not be construed against any party, regardless of which party may be deemed to have authored the ambiguous provision.
- E. 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 arising from the Distributor's operations. THE COMPANY HEREBY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY AND NON-INFRINGEMENT. THIS DISCLAIMER OF WARRANTY CONSTITUTES AN ESSENTIAL PART OF THIS AGREEMENT.
- F. 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.
- G. Severability. 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. Furthermore, any provision found unenforceable may be partly enforced to the maximum extent enforceable under the law.
- H. 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.
- I. Governing Law, Arbitration, Injunctive Relief. 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 (without giving effect to any conflict of law provision or rule) as to contracts made and to be wholly performed within the State. Any controversy or claim arising out of or relating to the Contract or the breach thereof, or any controversy or claim relating to the business relationships arising between Distributors shall be resolved by mandatory, final, binding, non-appealable arbitration in Salt Lake City, Utah, United States of America. There shall be one arbitrator, who shall be impartial, independent, and mutually agreed upon by the parties to the arbitration within seven (7) days following receipt of the written notice for demand for arbitration. If the parties do not reach agreement on a single arbitrator within such seven (7) day period, the parties agree that the arbitration shall be administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules (except that there shall only be one arbitrator) and shall be governed by Utah state law,

including, but not limited to, the rules pertaining to the discovery process as found in the Utah Rules of Civil Procedure. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof and enforcement of the judgment shall be governed by Utah state law. The parties shall equally share the assessed costs associated with the arbitration, including all arbitrator fees. If one party fails to pay its assessed costs, and such failure prevents the timely appointment of an arbitrator or delays ongoing arbitration proceedings, the other party may seek provisional remedies under the Utah Uniform Arbitration Act, Utah Code Section 78B-11-109, to compel the non-paying party to comply with its payment obligations. Such provisional remedies may be sought in the courts of the State of Utah, Utah County, as the exclusive and sole jurisdiction and venue for such provisional actions, and each party hereby consents to personal jurisdiction and proper venue in those courts for such actions. The failure to pay assessed costs under this Section, and any resulting costs, expenses, or damages resulting from the other party being required to seek provisional relief, shall become an additional claim of the injured party in the underlying arbitration. The parties, AAA, and the arbitrator shall maintain the confidentiality of the entire arbitration process and may not disclose to any other person not directly involved in the arbitration process: (i) the substance of, or basis for, the controversy, dispute, or claim; (ii) the content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery in the arbitration; or (iii) the terms or amount of any arbitration award. AAA and the arbitrator shall have the authority to make appropriate rulings to safeguard confidentiality, unless the law provides to the contrary. The parties agree that before or after a demand for arbitration is made that a party (in addition to any other remedies which it may have and which are hereby exclusively reserved) is entitled to preserve its rights under the Contract by seeking interim injunctive relief (a temporary restraining order, preliminary injunction and all other forms of interim relief available to the party filing the action) without a bond, and that the only venue for any suit shall be in the state courts located in Utah County, Utah or, at the sole discretion of the Company, in the federal court located in Salt Lake City, Utah. The parties agree that such suit filed with the court: (a) is not a waiver of the rights of the party who filed the suit to proceed with any demand for arbitration it previously filed, and (b) will not in any way affect the rights of the party filing the suit to thereafter demand arbitration once the interim relief is obtained. The parties expressly waive any objections to personal jurisdiction or venue of such courts and to the arbitration being conducted in Salt Lake City, Utah, United States of America.

- J. 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.
- K. Successors and Assigns. The Contract will be legal and binding upon and inure to the benefit of the heirs, devisees, executors, administrators, personal representatives, successors, and assigns (as applicable) of the respective parties hereto.
- L. 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: (i) Distributor's breach of the Contract, (ii) the promotion or operation of the Distributorship and the Distributorship Business; (iii) Distributor's incorrect or wrong data or information provided to the Company or its Responsible Parties; or (iv) 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; (6) is a member of the Distributor's immediate household; (7) is a spouse or Co-habitant; or (8) has any other similar interest in a Distributorship.
Bona Fide Offer	An arm's length written offer to purchase the Distributorship by a Person that is not a Distributor, which the Company, in its sole discretion, determines to be a legitimate offer.
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 by the Distributor and purchased and/or sold by 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.
Company Licensed Website	An Internet website approved by the Company in accordance with the provisions of Section 7.K of the Policies and Procedures.
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.

Competing Company	A direct selling, network marketing or multi-level marketing company which promotes, sells or distributes any health, nutrition or personal care products in any Authorized Country as set forth in Section 2.F.
Confidential Information	Information disclosed to the Distributor pursuant to the Contract or information gathered by a Distributor about other Distributors in connection with their promotion of Products or sales materials, including, but not limited to, information regarding (i) Downline Organizations or Upline Distributors, including Distributor names and contact information, Customer information developed by Company or developed for and on behalf of the Company by Distributors through Distributor meetings, websites, email and/or profile gathering tools, and any other electronic or manual application used by a Distributor or his agent to gather, store, and/or develop any information about Distributors and Customers (including but not limited to credit data, retail customer and Distributor profiles, and product purchase information and (ii) customer lists, manufacturing and supplier information, business reports, commission or sales reports, business plans, projections, trade secrets, intellectual property, analyses, and related information and other financial and business information that would be reasonably understood to be confidential and/or give competitive advantage. 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, any country or situation-specific addendum(s) thereto, any amendments thereto, and any other written agreement between the Distributor and the Company, which documents are incorporated herein by reference.
Cross-Company Recruiting	A violation of the Contract as set forth in Section 2.K of the Policies and Procedures.
Cross-line Recruiting	Sponsoring, or a solicitation to Sponsor, indirectly or otherwise, an existing Distributor (or anyone with a Beneficial Interest in that Distributor's Distributorship). The Cross-line Recruiting policy applies only to the recruiting of existing Distributors and does not apply to Persons who are not Distributors of the Company. The Company cannot punish a Distributor who solicits or entices a Person who has not previously been a Distributor, but who has been contacted by another Distributor. As with any commercial enterprise, Distributors who invest time and money into a Person are taking a risk that the Person may choose to be Sponsored under someone else.
Customer	A non-Distributor that purchases Products at the Suggested 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 authorized 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; sponsoring new Distributors; and/or selling of leads, sales tools, websites, etc. to Distributors.
Distributor Rights	The rights of the Distributor under the Contract 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 be 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.
First Product Purchase	The first purchase by a Distributor of any two individual units of Product offered by the Company (eg. XanGo® Juice, Glimpse™ skin care line, XanGo 3SIXTY5™ Supplement, etc.)
Frontline	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 Commissionable Volume of Customers is treated as if it were Frontline for purposes of calculating Unilevel Commissions. (See the Compensation Plan for the definitions of these terms).
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).

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: 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.
Qualified Direct Upline	Regarding the Right of First Refusal, a Distributor's direct Sponsor who is not in violation of the Contract and who the previous month qualified for earnings under the Compensation Plan.
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. Rank may also be affected by Title Compression (as defined in the Compensation Plan).
Recruiting	Actual or attempted solicitation, enrollment, encouragement, or effort to convince, persuade, or influence in any way, directly, indirectly, or through a third-party (including, but not limited to, the use of a website), another Distributor to sell or purchase products or services and/or to enroll or act as an independent distributor, employee, executive, or consultant to or on behalf of another direct selling, network marketing, or multi-level marketing company that operates in any way, conducts business, or has distributors in any Authorized Country. This conduct constitutes Recruiting even if the Distributor's actions are in response to an inquiry or communication made or initiated by another Distributor.
Retail Establishment	Any enterprise with a physical location that is not a Service-related Establishment. Examples include, but are not limited to mass market and specialty stores. For purposes of this definition, a Retail Establishment does not include the internet when a Distributor complies with the relevant sections of the Policies and Procedures regarding authorized internet sales and advertising.
Retail Sales	Sales by a Distributor of the Product to his or her Customers.
Right of First Refusal "RFR"	The rights as set forth in Section 4.F of the Policies and Procedures.
Sales Tool	Any information, material or product created by the Distributor for Distributor Business.

Social Media Sites	The sites as set forth in Section 7.K.7 of the Policies and Procedures.
Suggested Retail	The price at which the Company suggests Distributors sell Products to Customers. The Suggested Retail prices are posted on the Company's website.
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, salons, spas, gyms, health clubs, 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.

## APPENDIX B

### Compensation Plan

#### Table of Contents

Section 1 – Payment of Commissions.....	38
Section 2 – Distributor Ranks.....	39
Section 3 – PowerStart Commissions.....	40
Section 4 – UniLevel Commissions.....	41
Section 5 – Global Bonus Pool Commissions.....	42
Section 6 – 500K Bonus Pool Commissions.....	43
Section 7 – Retail Sales Commissions.....	44
Section 8 – Incentive Trips and Awards.....	44
Section 9 – Definitions.....	44

The Compensation Plan is the method by which Distributors are compensated for their retail sales and personal purchases of the Product, as well as the retail sales and personal purchases of the Product by their Downline Organizations. It also compensates them for the support and training they provide the Distributors in their Downline Organizations. The Compensation Plan is part of the Contract between the Company and its Distributors. Certain defined terms herein appear in title capital letters. These terms and their definitions are described at the end of this document, in the text of this document, or in the Company Policies and Procedures, which are incorporated herein by reference.

#### **Section 1 Payment of Commissions**

- A. The Company pays various types of Commissions for the sale of Product. Commissions are calculated based on the Commissionable Volume (CV) in either the Sponsor Tree or the Placement Tree resulting from a Product order, a Distributor's Personal Volume (PV), a Distributorship's Group Volume (GV), and other qualifications as described herein.
- B. To the extent that commissionable sales occur where Products are delivered for distribution within the United States, Commissions on those sales under this Compensation Plan will be the legal responsibility of and will be paid by the Company. To the extent that commissionable sales occur where Products are delivered for distribution outside of the United States, Commissions on those sales under this Compensation Plan will be the legal responsibility of and will be paid by XanGo DISC, Inc or its assigns. Nevertheless, for administrative convenience, Commissions paid under this Compensation Plan generally may be issued on a single check or similar instrument or transaction, combining for the convenience of the Distributor the Commissions earned for both U.S. and non-U.S. sales.
- C. The Company may deduct necessary handling, processing, or remittance fees from a Distributor's Commissions as set forth in the Policies and Procedures.

## Section 2 Distributor Ranks

- A. Distributors may qualify for various Ranks by meeting certain requirements, including monthly PV and monthly GV generated in the Placement Tree, monthly ADP, and total Sponsorship requirements. Each Distributor Rank and its requirements that must be met in the month of qualification are as follows:
1. Representative – 100 PV.
  2. Preferred Representative – 100 PV and active on 100 ADP within that month.
  3. 1K – 100 PV; active on 100 ADP within that month; a minimum 1,000 GV; and have at least three (3) Frontline qualified Preferred Representative Distributors (or higher) in his or her Sponsor Tree.
  4. 5K – 100 PV; active on 100 ADP within that month; a minimum 5,000 GV; and have at least three (3) Frontline qualified 1K Distributors (or higher) in his or her Sponsor Tree.
  5. 20K – 200 PV; active on 200 ADP within that month; a minimum 20,000 GV; and the personal Sponsor of at least three (3) Frontline qualified 5K Distributors (or higher) in his or her Sponsor Tree.
  6. Premier – 200 PV; active on 200 ADP within that month; a minimum 50,000 GV; and the personal Sponsor of at least two (2) Frontline qualified 20K Distributors (or higher) and one (1) Frontline qualified 5K Distributor (or higher) in his or her Sponsor Tree.
  7. 100K Premier – 200 PV; active on 200 ADP within that month; a minimum 100,000 GV; and the personal Sponsor of at least three (3) Frontline qualified 20K Distributors (or higher) and one (1) Frontline qualified 5K Distributor (or higher) in his or her Sponsor Tree.
  8. 200K Premier – 200 PV; active on 200 ADP within that month; a minimum 200,000 GV; and the personal Sponsor of at least three (3) Frontline qualified Premier Distributors (or higher) and one (1) Frontline qualified 20K Distributor (or higher) in his or her Sponsor Tree.
  9. 500K Premier – 200 PV; active on 200 ADP within that month; a minimum 500,000 GV; and the personal Sponsor of at least one (1) Frontline qualified 200K Premier Select Distributor (or higher) in his or her Sponsor Tree, two Frontline (2) Frontline qualified 100K Premier Select Distributors (or higher) in his or her Sponsor Tree, and two (2) Frontline qualified Premier Distributors (or higher) in his or her Sponsor Tree. Two (2) of the required five (5) Premier Distributors must be placed on the Placement Tree's first level.
  10. Quantum Premier – 200 PV; active on 200 ADP within that month; a minimum 750,000 GV<sup>6</sup> (Unilevel Compressed GV from the first six (6) levels below the Distributor that the Distributor was paid on); and for three consecutive months in the qualifying quarter, have: (i) at least one (1) Frontline qualified 500K Premier Select Distributor (or higher) in his or her Sponsor Tree, (ii) one (1) Frontline qualified 200K Premier Select Distributor (or higher) in his or her Sponsor Tree, (iii) one (1) Frontline qualified 100K Premier Select Distributor (or higher) in his or her Sponsor Tree, (iv) and three (3) Frontline qualified Premier Distributors (or higher) in his or her Sponsor Tree. These Frontline Distributorships must achieve their Ranks (except the three Frontline Premiers) anytime prior to the Quantum Premier's current qualifying quarter and all (including the three Frontline Premiers) must maintain Select status in each month of the Quantum Premier's current qualifying quarter.

Three (3) of the required six (6) qualified Distributors must be placed on the Placement Tree's first level.

11. X1 Premier – 200 PV; active on 200 ADP within that month; a minimum 1,000,000 GV6 (Unilevel Compressed GV from the first six (6) levels below the Distributor that the Distributor was paid on); and for three consecutive months in the qualifying quarter, have: (i) at least one (1) Frontline qualified 500K Premier Select Distributor (or higher) in his or her Sponsor Tree, (ii) two (2) Frontline qualified 200K Premier Select Distributors (or higher) in his or her Sponsor Tree, (iii) and four (4) Frontline qualified Premier Distributors (or higher) in his or her Sponsor Tree. These Frontline Distributorships must achieve their Ranks (except the four Frontline Premiers) anytime prior to the X1 Premier's current qualifying quarter and all (including the four Frontline Premiers) must maintain Select status in each month of the X1 Premier's current qualifying quarter. Four (4) of the required seven (7) qualified Distributors must be placed on the Placement Tree's first level.

- B. The additional Rank designation of "Select" applies to Premier Distributors who maintain their Rank qualification for the full three (3) months of a single calendar quarter.

### Section 3 PowerStart Commissions

- A. PowerStart is a weekly commission paid on Initial Orders with CV placed within 30-days of a new Distributor's signup. Commissions from such CV are calculated based on the Sponsor Tree. The Company pays out fifty percent (50%) of the CV from Initial Orders. Forty-five percent (45%) of the CV is paid as a PowerStart Commission to the Upline Sponsors of the Distributor placing the Initial Order, three percent (3%) of the CV is allocated to the Global Bonus Pool, and the remaining two percent (2%) is allocated to the 500K Bonus Pool.
- B. The PowerStart Commission is limited to the first 1,000 CV of an Initial Order; however, from time to time the Company may change the CV limitation upon notice to all Distributors. Any remaining Commission from an Initial Order will be paid out as UniLevel Commission.
- C. Depending on the Sponsors' PV and ADP status, PowerStart Commissions will be paid out in one of the following two ways:
  1. PowerStart Basic –The Company pays twenty percent (20%) of the Initial Order's CV to the first qualified (100 PV) Upline in the Sponsor Tree,. The Company pays the remaining twenty-five percent (25%) of the Initial Order's CV to the next qualified (200 PV and active on 200 ADP)Upline in the Sponsor Tree. This is summarized by the following table:

Sponsor	Minimum Qualification	Commission
1 <sup>st</sup> qualified level upline	100 PV, no active ADP	20%
2 <sup>nd</sup> qualified level upline	200 PV w/ active 200 ADP	25%

2. PowerStart Plus –The Company pays thirty percent (30%) of the Initial Order's CV to the first qualified (100 PV and active on 100 ADP) Upline in the Sponsor Tree. The Company pays the remaining fifteen percent (15%) of the Initial Order's CV to the next qualified (200 PV and active on 200 ADP) Upline in the Sponsor Tree. This is summarized by the following table:

<b>Sponsor</b>	<b>Minimum Qualification</b>	<b>Commission</b>
1 <sup>st</sup> qualified level upline	100 PV, w/ active 100 ADP	30%
2 <sup>nd</sup> qualified level upline	200 PV w/ active 200 ADP	15%

- D. The qualifying Upline Distributor is eligible to receive a PowerStart Commission if he or she meets the minimum qualification at any time during the week or the five preceding weeks the Initial Order is placed. If the qualifying Upline Distributor does not meet the minimum qualification within this six (6) week window, then the Company will pay the Commission to the next qualified Upline through PowerStart Compression. PowerStart Commissions are calculated from Volume in the Sponsor Tree.
- E. An Initial Order must be received by the Company no later than 5:00 p.m. (MST) on Friday for the Powerstart Commissions to be paid the following week. Online orders placed prior to 11:59 p.m. (MST) on Sunday will qualify for payment the following week.

#### **Section 4 UniLevel Commissions**

- A. UniLevel is a monthly commission paid on all Product orders with CV. It is paid in total, the Company pays out fifty percent (50%) of the CV from these Product orders. Forty-seven percent (47%) of the CV for these orders is paid as a UniLevel Commission, and three percent (3%) of the CV is allocated to the Global Bonus Pool.
- B. The Company pays the UniLevel commission based on the total CV not subject to a PowerStart Commission from up to nine (9) compressed levels in a Distributor's Downline Organization. The Distributor's Rank determines how many levels on which the Distributor may collect UniLevel Commissions. If a Distributor is not qualified by Rank to collect UniLevel Commissions below a certain level, then those Commissions are paid out through Unilevel Compression to the next highest qualified Distributor. UniLevel Commissions are paid according to a Distributor's Rank as follows, with each higher Rank entitled to more levels of payment:
1. Representative – Five percent (5%) of CV on the 1<sup>st</sup> level and five percent (5%) of CV on the 2<sup>nd</sup> level.
  2. Preferred Representative – The same percentages of CV as a Representative, plus an additional ten percent (10%) of CV on the 3<sup>rd</sup> level.
  3. 1K – The same percentages of CV as a Preferred Representative, plus an additional five percent (5%) of CV on the 4<sup>th</sup> level.
  4. 5K – The same percentages of CV as a 1K, plus an additional five percent (5%) of CV on the 5<sup>th</sup> level.
  5. 20K – The same percentages of CV as a 5K, plus an additional five percent (5%) of CV on the 6<sup>th</sup> level and five percent (5%) of CV on the 7<sup>th</sup> level.
  6. Premier and above – The same percentages of CV as a 20K, plus an additional five percent (5%) of CV on the 8<sup>th</sup> level and two percent (2%) of CV on the 9<sup>th</sup> level.

This is summarized by the following table:

Level	Representative	Preferred Representative	1K	5K	20K	Premier and above
1 <sup>st</sup>	5%	5%	5%	5%	5%	5%
2 <sup>nd</sup>	5%	5%	5%	5%	5%	5%
3 <sup>rd</sup>	-	10%	10%	10%	10%	10%
4 <sup>th</sup>	-	-	5%	5%	5%	5%
5 <sup>th</sup>	-	-	-	5%	5%	5%
6 <sup>th</sup>	-	-	-	-	5%	5%
7 <sup>th</sup>	-	-	-	-	5%	5%
8 <sup>th</sup>	-	-	-	-	-	5%
9 <sup>th</sup>	-	-	-	-	-	2%

- C. 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.
- D. UniLevel Commissions calculations are also subject to Sponsorship Compression, which is a safety net for minimum monthly PV that can help promote the Rank of a Distributor.

**Section 5 Global Bonus Pool Commissions**

- A. The Global Bonus Pool is a quarterly Commission paid from a pool comprising three percent (3%) of all worldwide CV. The Global Bonus Pool is paid out in the month following the close of the calendar quarter to those Distributors who qualified each month of that calendar quarter as Premier Select and above. The quarterly payout of the Global Bonus Pool is calculated by adding up the applicable GV3, GV6 and GV9 (Group Volume subject to UniLevel Compression) for that calendar quarter from qualified Premier Distributors, creating a total pool volume. The percentage of the total pool that is allocated to a qualified Premier Distributor is the amount of GV3, GV6 or GV9 contributed by the Distributor, divided by the total pool volume. This percentage is then multiplied by the total dollar amount in the Global Bonus Pool, resulting in the Global Bonus Pool Commission for that Distributor.
- B. To qualify for participation in the Global Bonus Pool, the following are required for the Premier Ranks:
  - 1. Premier: Achieves Select status and in each month of the qualifying period earns a UniLevel check of at least \$2,500 USD (or equivalent). The contribution to the pool is the GV3.

2. 100K Premier. Achieves Select status and in each month of the qualifying period earns a UniLevel check of at least \$5,000 USD (or equivalent). The contribution to the pool is the GV6.
3. 200K Premier. Achieves Select status and in each month of the qualifying period earns a UniLevel check of at least \$10,000 USD (or equivalent). The contribution to the pool is the GV9.
4. 500K Premier. Achieves Select status and in each month of the qualifying quarter earns a UniLevel check of at least \$10,000 USD (or equivalent). The contribution to the pool is based on GV9.
5. Quantum Premier. Achieves Select status and in each month of the qualifying quarter earns a UniLevel check of at least \$10,000 USD (or equivalent). The contribution to the pool is based on GV9.
6. X1 Premier. Achieves Select status and in each month of the qualifying quarter earns a UniLevel check of at least \$10,000 USD (or equivalent). The contribution to the pool is based on GV9.

C. Commissions derived from the Global Bonus Pool are paid out with the UniLevel check.

## **Section 6     500K Bonus Pool Commissions**

- A. The 500K Bonus Pool is a quarterly Commission paid from a pool comprising two percent (2%) of all worldwide CV from Initial Orders paid as a PowerStart Commission during that quarter. The 500K Bonus Pool is paid out in the month following the close of the calendar quarter to those Distributors who qualify each month of that calendar quarter as 500K Premier Select and above.
- B. The quarterly payout of the 500K Bonus Pool is calculated by adding up the applicable GV6 for that calendar quarter from qualified 500K Premier Select Distributors or higher, creating a total pool volume. The percentage of the total pool volume that is allocated to a qualified 500K Premier Select Distributor is the amount of GV6 contributed by the Distributor divided by the total pool volume. This percentage is then multiplied by the total dollar amount in the 500K Pool, resulting in the 500K Bonus Pool Commission for that Distributor.
- C. To participate in the 500K Bonus Pool, Distributors must:
  1. 500K Premier Select: qualify as a 500K Premier Select in each month of the qualifying quarter. The contribution to the pool is based on the Distributor's GV6.
  2. Quantum Premier Select: qualify as a 500K Premier Select or higher in each month of the qualifying quarter. The contribution to the pool is based on the Distributor's GV6.
  3. X1 Premier Select: qualify as a 500K Premier Select or higher in each month of the qualifying quarter. The contribution to the pool is based on the Distributor's GV6.
- D. Commissions derived from the 500K Bonus Pool are included in the UniLevel check.
- E. In the event that no Distributor qualifies for the 500K Bonus Pool, the amount of the pool will be added to the Global Bonus Pool for that quarter.

## Section 7 Retail Sales Commissions

- A. Distributors may generate Retail Sales Commissions by:
  - 1. purchasing Product from the Company at Wholesale and reselling it to Customers, and/or
  - 2. directing Customers to purchase Product under the Distributor's account through the Company's Retail Sales order line.
- B. The Company pays a Retail Sales Commission on all Product sales to Customers referred to the Company's Retail Sales order line by Distributors. Additionally, the resulting CV from such sales is treated as Frontline to the referring Distributor for purposes of calculating Unilevel Commissions. The Retail Sales Commission is the difference between the retail price and the Wholesale price of the Product, less an administrative handling fee.
- C. Retail Sales Commissions are paid out with the UniLevel check.

## Section 8 Incentive Trips and Awards

- A. From time to time, the Company may provide incentive trips and other awards to qualified Distributors. These awards or trips may be based on Title and high Distributor performance and are provided only to the Persons listed on a qualifying Distributor's Distributor Agreement, up to air fare for two such Persons and hotel accommodations of one room. Incentive trips or awards may not be deferred for future acceptance and have no cash value. No payment or credit will be given to those who cannot or choose not to attend trips or to accept awards.
- B. Although the Company pays some or all of the costs of such incentive trips, the Distributor agrees to indemnify and hold harmless the Company for any injuries sustained in association with the trip by the Distributor and/or its guests. The Distributor cannot make claim upon, or rely upon, any insurance policy of the Company to cover the costs and expenses of any injuries to the Distributor and/or the Distributor's guests.
- C. The Company may be required by law to include the fair market value of any incentive awards, trips, etc. on the Distributor's end of the year tax report. The Distributor is liable for applicable taxes and agrees to hold the Company harmless from claims of tax liability relating to these incentive trips and awards.
- D. If it is discovered that the Distributor has made any misrepresentations or has violated any of Policies and Procedures in becoming eligible for these incentives trips and awards, the Company may charge the Distributor for any costs incurred by the Company or for any benefits received by the Distributor.

## Section 9 Definitions

The following defined terms apply throughout the Compensation Plan, where they are signified by title capital letters:

500K Bonus Pool	Commissions paid to qualified 500K Premier Selects and above from a pool of two percent (2%) of all worldwide CV from Initial Orders subject to a PowerStart Commission.
Automatic Delivery Program (ADP)	See the definition of this term in Appendix A to the Policies and Procedures.

Commissionable Volume (CV)	The actual amount of Volume subject to Commissions in a specific market.
Company	See the definition of this term in Appendix A to the Policies and Procedures.
Compensation Plan	See the definition of this term in Appendix A to the Policies and Procedures.
Contract	See the definition of this term in Appendix A to the Policies and Procedures.
Customer	See the definition of this term in Appendix A to the Policies and Procedures.
Distributor	See the definition of this term in Appendix A to the Policies and Procedures.
Distributor Agreement	See the definition of this term in Appendix A to the Policies and Procedures.
Distributorship	See the definition of this term in Appendix A to the Policies and Procedures.
Downline Organization	See the definition of this term in Appendix A to the Policies and Procedures.
Frontline	See the definition of this term in Appendix A to the Policies and Procedures.
Global Bonus Pool	A Commissions pool paid to qualified Premier Selects and above comprising three percent (3%) of all worldwide CV .
Group Volume (GV)	The total Volume of Product purchased by a Distributor and its Downline Organization
GV3, GV6, GV9	The aggregate GV of the Payline at 3 levels (GV3), six levels (GV6), and nine levels (GV9) in the Placement Tree.
Initial Order	A Distributor's first paid for Product order with CV, shipped to a single address. If it is placed and paid within thirty (30) days of the Date of Sign-up, the order's CV will be paid as PowerStart Commission.
Leg	The portion of a Sponsor's Downline Organization that begins with a Frontline Distributor and extends infinitely downward through the Sponsor Tree.
Payline	Distributorships in a Downline Organization on which a Distributor is paid Commissions based on UniLevel Compression or on PowerStart Compression.
Person	See the definition of this term in Appendix A to the Policies and Procedures.
Personal Volume (PV)	The Volume of Product purchased for resale or consumption by a Distributor.
Placement	See the definition of this term in Appendix A to the Policies and Procedures.
Placement Tree	The genealogically structured network of Distributorships that is created through Placement. Unilevel Commissions are calculated according to the structure of the Placement Tree.

PowerStart Commissions	Commissions calculated from the CV of Initial Orders in the Sponsor Tree in a given week.
PowerStart Compression	The process of by-passing non-qualified Distributorships in the Sponsor Tree when calculating PowerStart Commissions.
Premier	A Rank as defined in Section 2 of the Compensation Plan; also, a Title used for the Ranks of Premier through X1.
Product	See the definition of this term in Appendix A to the Policies and Procedures.
Rank	See the definition of this term in Appendix A to the Policies and Procedures.
Retail Sales	See the definition of this term in Appendix A to the Policies and Procedures.
Select	Qualifying at a Rank of Premier or above for 3 consecutive months in a quarter. The Select status is applied to the lowest Rank achieved during the quarter.
Sponsor	See the definition of this term in Appendix A to the Policies and Procedures.
Sponsor Tree	The genealogically structured network of Distributorships that is created through Sponsoring. PowerStart Commissions are calculated from weekly CV in the Sponsor Tree.
Sponsorship Compression	A process used for calculating payout from the Sponsor Tree, as follows: if in a given month a Frontline does not order Product, this process looks to that non-ordering Distributorship's Frontline for the highest Ranking Distributorship and moves that Distributorship up in the place of the non-ordering Distributorship. The process occurs sequentially, beginning from the bottom of the tree and moving upwards, so that if a Distributorship qualifies its Sponsor, no further action is taken, but if the Distributorship does not qualify its Sponsor, its highest qualifying Frontline is moved to its position for calculations purposes; then, the next Upline is examined and if any of its Frontline doesn't have CV, the highest Ranking Frontline of that Frontline Distributorship is moved up.
Streamlined Compression	A reference to PowerStart Compression, UniLevel Compression, and/or Sponsorship Compression.
Title	See the definition of this term in Appendix A to the Policies and Procedures.
Title Compression	A process used for determining the Rank of an Eligible Sponsor (as defined below). This process looks to the single highest Ranked Distributorship in each Leg of the Eligible Sponsor's Downline Organization and, only for purposes of determining the Rank of the Eligible Sponsor, moves that Distributorship Frontline to the Eligible Sponsor. The movement, or compression, is deemed to satisfy the Eligible Sponsor's relevant personal sponsor qualification requirements under the Compensation Plan. "Eligible Sponsor" means a Distributor with a Title of at least 100K, who has a Frontline Distributor that has advanced in Rank to 1K or higher during the current or previous UniLevel commission period.
UniLevel	The Commissions calculations from the CV in the Placement Tree of a Distributor.

Unilevel Compression	The process of by-passing Distributorships in the Placement Tree that either lack CV or are not entitled to the next level of Unilevel Commissions, based on their Rank.
Upline	See the definition of this term in Appendix A to the Policies and Procedures.
Volume	See the definition of this term in Appendix A to the Policies and Procedures.
Wholesale	See the definition of this term in Appendix A to the Policies and Procedures.