

XANGO

Compensation Plan

UNITED STATES OF AMERICA

Effective March 17, 2009

APPENDIX B

Compensation Plan

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) qualified Frontline 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; the personal Sponsor of at least three (3) qualified Frontline 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; 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) onto his or her Sponsor Tree, two Frontline (2) Frontline qualified 100K Premier Select Distributors (or higher) onto 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 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) 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
1st qualified level upline	100 PV, no active ADP	20%
2nd 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:

Sponsor	Minimum Qualification	Commission
1st qualified level upline	100 PV, w/ active 100 ADP	30%
2nd 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 1st level and five percent (5%) of CV on the 2nd level.
2. Preferred Representative – The same percentages of CV as a Representative, plus an additional ten percent (10%) of CV on the 3rd level.

3. 1K – The same percentages of CV as a Preferred Representative, plus an additional five percent (5%) of CV on the 4th level.
4. 5K – The same percentages of CV as a 1K, plus an additional five percent (5%) of CV on the 5th level.
5. 20K – The same percentages of CV as a 5K, plus an additional five percent (5%) of CV on the 6th level and five percent (5%) of CV on the 7th level.
6. Premier and above – The same percentages of CV as a 20K, plus an additional five percent (5%) of CV on the 8th level and two percent (2%) of CV on the 9th level.

This is summarized by the following table:

Level	Representative	Preferred Representative	1K	5K	20K	Premier and above
1st	5%	5%	5%	5%	5%	5%
2nd	5%	5%	5%	5%	5%	5%
3rd	-	10%	10%	10%	10%	10%
4th	-	-	5%	5%	5%	5%
5th	-	-	-	5%	5%	5%
6th	-	-	-	-	5%	5%
7th	-	-	-	-	5%	5%
8th	-	-	-	-	-	5%
9th	-	-	-	-	-	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 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	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)	An optional program that authorizes the Company to automatically ship Product to a Distributor on a recurring monthly basis.
Commissionable Volume (CV)	The actual amount of Volume subject to Commissions in a specific market.
Company	XanGo, LLC, a Utah limited liability company, or any lawful assignee, successor, subsidiary, or affiliate regardless of geographic location.
Compensation Plan	The specific plan used by the Company that details the requirements and benefits of the compensation structure for Distributors.
Contract	The documents describing the specific relationship between a Distributor and the Company, comprising the Distributor Agreement, the Statement of Beneficial Interest, the Compensation Plan, the Policies and Procedures and any country or situation-specific addendum(s) thereto, and any other written agreement between the Distributor and the Company, which documents are incorporated herein by reference.
Customer	A non-Distributor that purchases Products at the Suggested Retail price.
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 submitting the Distributor Agreement, an Applicant certifies that he or she has read and will abide by the terms and conditions of the Contract.
Distributorship	A defined position within the Company's network of distributors that is the subject of the Contract.
Downline Organization	A genealogically structured organization comprised of Distributors and their Customers who are below a Distributor in his or her Sponsor Tree or Placement Tree. The Distributors will have been personally Sponsored (i) by a Distributor and are downline of that Distributor through Placement or Sponsorship, or (ii) by those who the Distributor has Sponsored or placed through Placement, and their respective Customers, all in a direct chain of Distributorships below the Distributor.
Front Line	The Distributors who appear on the first level of the Sponsor Tree of the immediate Downline Organization of any particular Distributor. They may appear through Sponsorship Compression. The CV of Customers is treated as if it were Frontline for purposes of calculating Unilevel Commissions.
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 Product order with CV, shipped to a single address. If it is placed within thirty (30) days of the Date of Sign-up, the order's CV will be paid as PowerStart Commission.
Payline	Distributorships in a Downline Organization on which a Distributor is paid commissions based on UniLevel Compression or on PowerStart Compression.
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.
Personal Volume (PV)	The Volume of Product purchased for resale or consumption by a Distributor.
Placement	As a noun: A Distributor who has directly recruited another Distributor into his or her Placement Tree; as a verb: the positioning by a Sponsor of a Distributor in his or her Downline Organization.
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 the Compensation Plan; also, a Title used for the Ranks of Premier through X1.

Product	Any good or service that has Volume assigned to it and that is offered by the Company. Sales tools and promotional material are not included in this definition.
Rank	The current payout qualification level of the Distributorship according to the Compensation Plan. The Rank of a Distributor, which will affect the Distributor's commissions calculated from the Sponsor Tree, may fluctuate monthly and depends on the Distributor meeting various qualifications outlined in the Compensation Plan.
Retail Sales	Sales by a Distributor of the Product to his or her Customers.
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	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.
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	The highest Rank every achieved by a Distributor that is used for recognition purposes.
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	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.