

LIVESMART 360 POLICIES
AND
PROCEDURES
MAY 2010

POLICIES AND PROCEDURES TABLE OF CONTENTS

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SECTION 1- WAIVER

1.1— Waiver

The Company never gives up its right to insist on compliance with its Agreements and with the applicable laws governing the conduct of a business. No failure of Company to exercise any right or power under the Agreement or to insist upon strict compliance by a LiveSmart 360 distributor (MEMBER) with any obligation or provision of the Agreement, and no custom or practice of the parties at variance with the terms of the Agreement, shall constitute a waiver of Company's right to demand exact compliance with the Agreement. An authorized officer of Company or his designee can affect waiver by Company only in writing. Company's waiver of any particular breach by a MEMBER shall not affect or impair Company's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other MEMBER. Nor shall any delay or omission by Company to exercise any right arising from a breach affect or impair Company's rights as to that or any subsequent breach.

The existence of any claim or cause of action of a MEMBER against Company shall not constitute a defense to Company's

enforcement of any term or provision of the Agreement.

The titles and headings to these policies are for reference purposes only, and do not constitute, and shall not be construed as substantive terms of these Policies.

Company reserves the right to amend the terms and conditions of these Policies and Procedures and the Marketing and Compensation Plan at any time, as deemed necessary without prior notice and, each MEMBER agrees to abide by these changes or submit their resignation within ten (10) days of publication. Any Amendments will be binding on all MEMBERS upon notification of such amendments through any of Company's official channels of communication, to include but not limited to, MEMBER email blasts, Company blogs, and postings to the Company websites.

SECTION 2- BECOMING A MEMBER

2.1 Code of Ethics

I will deal with others honestly and fairly at all times.

I will be truthful in my representation of Company products making no medical or exaggerated health claims and I will clearly state all terms of the sale.

I will not make claims for Company programs, services, or products except as contained in official Company literature. I also understand and agree that the responsibilities of "commercial speech"—claims made in the promotion of commercial goods and services—exceed the requirements of either scientific, research, or other forms of "free speech." Therefore, I will remember that even my personal experience of benefits received from Company programs, services, and products may be interpreted as an "extension of labeling claim" if I use those experiences as a sales device.

I will always honor Company's 100% satisfaction, 60-day money-back guarantee when dealing with my retail customers.

I will be respectful of every person I meet while working my Company business.

I will correctly represent the Company income potential represented therein, including Company presentations regarding earnings and income at all presentations. I understand that any misrepresentation could result in termination of my MEMBER status.

At all times, I will conduct myself and my business in an ethical, moral, legal and financially sound manner. I will not engage in activities that would bring disrespect to the Company, my independent business or to me.

2.2— Requirements to Become a MEMBER

To become a Company MEMBER, each applicant must meet all of the following criteria:

- a. Be of legal age in his or her state, province or country of residence.
- b. Reside in a country where Company is authorized and currently open to do business.
- c. Possess a valid Social Security Number, Federal Tax ID Number or other country-specific form of identification.
- d. Submit a properly executed MEMBER Application and Agreement to Company. Online applications are accepted as originals. However, a signed application must be mailed or faxed to Company within 30 days of joining. Applications not received by the Company home office within 30 days will result in commission checks being held from the sponsoring MEMBER until it is received.
- e. All prospective Members can become a Member for free. However, in order to qualify and receive certain bonus payments and commission payments, all

prospective Members are required to purchase a Member kit except where prohibited by law.

- f. A person or entity may not apply as a MEMBER using a fictitious or assumed name.

The Company reserves the right to reject any application to become a MEMBER or to reject the renewal of an existing MEMBER for any reason or no reason, including violations of these Policies and Procedures.

2.2.1 – Becoming a Non-profit MEMBER

Special requirements have been formulated to allow specific non-profit organizations to become Company MEMBERS providing benefits to their cause.

- a. Only organizations with 501(c)(3) designations are eligible. Other non-profits such as 501(c)(4), et al. may enroll under regular MEMBER criteria.
- b. The non-profit must complete the Non-Profit Application form #1005.
- c. A copy of the non-profit's 501(c)(3) documentation must be submitted with the application. If the 501(c)(3) has not received documentation from a federal agency, official state agency designations will be accepted.
- d. In order to be exempt from sales tax, the non-profit will need to submit documentation from the organization's state department of revenue displaying the sales tax exemption.
- e. The non-profit will be provided one (1) tracking position and sent a MEMBER Success Kit at no cost. The non-profit must pay for shipping.
- f. The non-profit position is immediately eligible to receive step checks, commission checks and fast start bonuses without the requirements for purchasing 100 PV, having an established Order Assurance Program ("OAP")/AutoShip, subscribing to the web hosting fee, or having an Active MEMBER in each leg of business.
- g. The non-profit will be immediately eligible to sponsor other MEMBERS or non-profits into the organization.
- h. Non-profits wishing to have three (3) tracking positions must activate the other two (2) positions with an immediate purchase of 100 PV (50 PV if on OAP/AutoShip program) in each position.
- i. A 501(c)(3) organization wishing to advance beyond the rank of MEMBER, and be eligible to receive matching bonus and car bonus programs available at higher ranks, must meet all the requirements outlined in the Compensation Plans for MEMBERS. This includes having personally sponsored Active MEMBERS, and any other requirements imposed on regular MEMBERS.
- j. All non-profit applications must be processed by the corporate office. 501(c)(3) non-profit organizations cannot be enrolled online. Applications may be faxed (if shipping is paid by credit card) or mailed (if shipping is paid by check or money order).
- k. Current MEMBERS or MEMBERS terminated within the last six (6) months are not eligible to additionally

enroll under a non-profit name. Non-profit organizations may not change to regular MEMBER status and regular MEMBER positions may not change to non-profit status.

- i. Contact names, addresses or ship to addresses listed on the non-profit account may not be the same as any current MEMBER or MEMBER terminated within the last six (6) months.
- m. In order for the non-profit to be considered a standard Active MEMBER for the sponsor, the non-profit must meet the requirements of 100 PV (50 PV if on OAP/Autoship program) in lifetime, plus maintaining Active status by meeting the monthly BV requirements.

2.3 — Smart System Fees

For enhanced website hosting services, receiving the proprietary back office management system, and Success Magazine and other personal development tools delivered to your door each month, MEMBERS are required to pay the Smart System Fee. Payment of the monthly Smart System Fee is required for the MEMBER to remain current and qualify for certain bonuses and dual team commissions. The Company requires that all MEMBERS disclose the website hosting fee to all new and prospective MEMBERS.

2.4- MEMBER Benefits

Once the Company has approved a MEMBER Application and Agreement, all benefits of the Company Marketing and Compensation Program and the MEMBER Agreement are available to the new MEMBER. These benefits include the right to:

- a. Purchase Company products and services at the discounted MEMBER price.
- b. Sell Company products and services at retail and earn profits from these sales.
- c. Participate in the Company Marketing and Compensation Program (receive bonuses and commissions, if qualified).
- d. Sponsor and enroll other individuals as PCs (Company Preferred Customers) or MEMBERS (Independent Business Owners) into the Company business and build a sales organization and progress through the levels of the Company Marketing and Compensation Program.
- e. Receive periodic Company literature and other Company communications.
- f. Participate in Company-sponsored events that include: support, training, motivation, and recognition functions, upon payment of appropriate fees, if applicable.
- g. Participate in promotional and incentive-based contests and programs sponsored by the Company.
- h. Receive free services such as travel benefits, shopping and concierge service.

2.5— Renewal of Your LiveSmart 360 Business

The term of the MEMBER Agreement is one year from the date of its acceptance by the Company. MEMBERS must renew their MEMBER Agreement each year by paying an annual fee in the amount of thirty dollars (\$30) within thirty (30) days of the anniversary date of their MEMBER Agreement. If the fee is not paid within thirty (30) days after the expiration of the current term of the MEMBER Agreement, the MEMBER will not be eligible to renew the Agreement. The MEMBER will lose all rights under the MEMBER Agreement and the Company Marketing and Compensation Program. To ensure that a MEMBER does not forfeit his or her benefits by forgetting the renewal date, and in order to make renewal more convenient, Company utilizes the Automatic Renewal Program ("ARP"). Under the ARP, the MEMBER's renewal fee will be:

- a. Deducted from the MEMBER's payable commissions during the month of the anniversary of the MEMBER Agreement. If no bonus check is received, then thirty dollars (\$30) will be charged to the MEMBER's credit card or checking account on file.
- b. If, for any reason, the renewal fee cannot be collected per the above methods (Section 2.4), the MEMBER may be billed the annual renewal fee. Payments must be received in the Company offices within thirty (30) days of the date of the expiration.
- c. This automatic renewal will remain in effect until the MEMBER notifies the Company in writing to cancel or until the MEMBER's business is terminated.
- d. The renewal fee will be accepted ONLY under the renewing MEMBER's current line of sponsorship.

SECTION 3- OPERATING A COMPANY BUSINESS

3.1 — Adherence to the Company Marketing and Compensation Plan

MEMBERS must adhere to the terms of the Company Marketing and Compensation Program as set forth in these Policies and Procedures. MEMBERS shall not offer the Company opportunity through, or in combination with, any other system, program, or method of marketing other than specifically stated in these Policies and Procedures. MEMBERS shall not require or encourage other current or prospective Customers or MEMBERS to participate in any manner that varies from the program as set forth in these Policies and Procedures. MEMBERS shall not require or encourage other current or prospective Customers or MEMBERS to execute any agreement or contract other than Company agreements and contracts in order to become a Company MEMBER. MEMBERS shall NOT require or encourage current or prospective Customers or MEMBERS to make any purchase from, or payment to, any individual or other entity in order to participate in the Company Marketing and Compensation Program other than those purchases identified as recommended or required in these Policies and Procedures.

3.2— Advertising

3.2.1 — In General

In the conduct of his or her business, the MEMBER shall safeguard and promote the reputation of the Company and its products and services. The marketing and promotion of the Company, the Company opportunity, the Company Marketing and Compensation Program, Company products and services shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices at all times.

To promote the products, services and opportunities that Company offers, MEMBERS must only use the sales aids and support materials produced or approved by Company. The Company has carefully designed its products, product labels, Company Marketing and Compensation Program and promotional materials and checked them for legal compliance. This is done to ensure that each aspect of the Company opportunity is fair, standard throughout, truthful, substantiated, and compliant with the vast and complex legal requirements of federal, state, provincial, local and international laws.

For this reason, MEMBERS are strictly prohibited from developing their own sales aids, promotional materials and other literature without the express written consent of the Company. MEMBERS agree to use all promotional materials and other literature for MEMBER training purposes only, not for public use.

3.2.2. — Trademarks and Copyrights

The name of the Company and other names as adopted and developed by the Company are proprietary trade names, trademarks and service marks of the Company. These marks are supplied to MEMBERS for use only in an expressly authorized manner. Use of the Company name on any item not produced by the Company is prohibited except printed as follows:

- a. [MEMBER's Personal or Business Name], a Member of LiveSmart 360
- b. Company Member

MEMBERS may also list themselves as an "Member of LiveSmart 360" in the white or yellow pages of a telephone directory under their name or their Doing Business As (DBA) name only. No MEMBER will place telephone directory display ads using Company's name or logo. This policy also applies to the Internet.

MEMBERS shall not answer the telephone: "LiveSmart 360," "LiveSmart 360 Incorporated" or in any manner leading the caller to believe he or she reached the corporate offices of Company.

MEMBERS shall not use Company's trade name or any of its trademarks on their business or personal checking accounts - IBOs may imprint business checks as being an "Independent Member of Company."

MEMBERS are not permitted to create their own business card or letterhead graphics if the Company trade name and or

trademarks are used. Only approved Company graphics versions and wording are permitted. Letterhead must be ordered from Company's licensed independent contractor; or it must be produced using the Company's graphics "slick" for business cards and stationary as supplied by Company, to include the words "Independent Member" on stationery and business cards. MEMBERS may indicate their Company pin level title under their name; however, it must still indicate "Independent Member." Company's marketing alliances may not be listed on any business cards or stationery. These policies also apply to any signage produced by MEMBERS.

MEMBERS may not produce for sale any recorded Company or other events, speeches, books, instructional tools or other supplies without specific prior written consent from the Company. MEMBERS shall not reproduce for sale, distribution or for personal use any recording of Company-produced audio or videotaped presentations without the prior written consent of Company. .

In order to protect its trademarks and copyrights, the Company reserves the right to require any MEMBER to transfer any website name, domain name or Company name related to Company business to Company.

3.2.3 – MEMBER Websites

The Company name and the names of Company products and services are trademark and copyright protected. MEMBERS are prohibited from using the Company intellectual property, which includes all Company copyrighted material and Company trade and service marks, on websites having an URL address other than LiveSmart 360. All MEMBERS must first obtain written permission to use and maintain websites originating from a URL address other than LiveSmart 360 and which uses the Company name, any Company copyright protected material or Company trademarks.

All internet sales of Company products and services must be processed through the shopping cart on the LiveSmart 360 website. MEMBERS are prohibited from processing sales of Company products and services through shopping carts set up on websites originating from a URL address other than LiveSmart 360, including PayPal and other payment service providers.

When Company intellectual property is approved for use on a website originating from an URL address other than LiveSmart 360, the user must be redirected to the respective Company website for any information regarding Company products and opportunity. Under no circumstances shall a website originating from a URL address other than LiveSmart 360 contain any information regarding the Company opportunity or any Company product. Company will monitor these websites to ensure compliance with this section.

3.2.4 — Media and Media Inquiries

MEMBERS are prohibited from responding to media inquiries regarding the Company, its products or services, or their

independent Company business. All inquiries by any media must immediately be referred to the Company legal department. The Company employs a professional staff responsible for replying to these inquiries. This policy assures accurate and consistent information to the public. MEMBERS are prohibited from utilizing radio or television media for the advertising, distribution or promotion of Company products, services or opportunity without the express written consent of Company. In the event that Company grants permission for the use of such media, Company must have final authority on every stage of the production process with full rights to all recordings.

3.2.5— Enrolling Materials

MEMBERS may place advertisements or promotional materials for the purpose of enrolling new MEMBERS and Customers. These materials are limited to advertisements for selling products or services and enrolling, including advertisements, voice messages, Fax-on-Demand, signage, printed correspondence, and electronic distribution. Before any such material can be used, it must be submitted for written approval to the Company.

Enrolling material shall not contain misleading, unethical or exaggerated information and must specifically adhere to the guidelines set forth in this Section and [Section 3.2.6](#). All materials are in constant review by the Company's Legal department, as well as federal, state and international regulatory agencies. Violation of any of Company's guidelines will result in disciplinary action.

Advertisements must be placed in the appropriate sections of all media. Advertisements shall not be placed under any heading that indicates they are for employment. In addition to not using income claims, advertisements should be clear that commissions are paid on product purchases, not enrollments, and ads shall never indicate large earnings are easy. It must be clear that income is dependent on multiple factors including, but not limited to, time, effort and geographical area.

3.2.6 — Advertising Guidelines

The following guidelines will be followed by MEMBERS to protect the Company opportunity. These guidelines assist in preparing material and are in addition to guidelines expressed elsewhere in these Policies and Procedures. These guidelines pertain to all advertising, including "blind ads" (ads that do not specifically mention Company). Fraudulent inducement in ads will not be tolerated by Company and will be cause for immediate suspension or termination.

MEMBERS shall refrain from directly or indirectly representing the capability of MEMBERS in multilevel or network marketing businesses, including, but not limited to the Company Compensation Plan, to make a profit, without simultaneously disclosing and presenting:

- The current Income Disclosure Statement; and,
- That not all MEMBERS make money in the Company; and,

- That no one can be guaranteed success as a Company MEMBER

MEMBERS must not misrepresent the income levels, earnings, product sales, profits or payments that a person may reasonably expect to earn, generate, or receive as a Company MEMBER.

MEMBERS shall not represent the opportunity to participate in the Company Sales Program as employment or as a salaried position with guaranteed income. The Company will enforce the following policies concerning advertising:

- Company MEMBERS are independent contractors and all incomes are a result of personal effort. Any and all advertisements must be factual. The stating of any exaggerated claims or misleading information will jeopardize a MEMBER's distributorship. If income of any kind is mentioned in an advertisement, it must represent actual income earned and it must include the word "commissions" so that it is not interpreted as any form of guaranteed income; verbiage such as "I earned (documented income) in commissions last month" may be used if documented, but terms implying consistent income such as "monthly" or "yearly" may not be included unless this consistency is documented; and if income is included, terms such as "possible" or "potential" may not be used as these terms infer a potential for salaried earnings.
- Any advertising which promotes, represents or implies salaried positions, management positions, hourly wages, full or part-time, or guaranteed incomes is considered misleading and is prohibited. The Company opportunity is not a job and may not be presented as such. Terms such as "manager trainee," "management positions available," "travel provided," "call for interview," "positions available," "now hiring," and other misleading statements are not allowed as these imply employment. Company MEMBERS are independent contractors and advertising or communicating otherwise is a violation of the Company MEMBER Agreement.

In addition, MEMBERS must not:

- Misrepresent the capabilities of any Company product.
- Misrepresent the nature, validity or status of any testing of a Company product or the meaning or status of any government approval or regulation.
- Allow or condone, by action or by words, the use, production, marketing or distribution, by sale or otherwise, of MEMBER-produced sales aids.
- Falsely represent that a MEMBER is employed by Company in order to aid that MEMBER to obtain credit.
- Run any advertising that may include income claims without displaying the Income Disclosure Statement at the same time.
- Copy any Company-produced materials (brochures, tapes, and catalogs) without prior written approval from Company

- Reproduce previously published articles or books or utilize or refer to articles, books, or marketing materials that Company has discontinued or banned from use.
- State that MEMBERS are financial partners with the Company or any of the Company's marketing alliances.
- Use the following words or phrases when describing the Company opportunity in ads or elsewhere:
 - "Investment"
 - "Retirement Plan"
 - "Business Model"
 - "Business Opportunity"*
 - "Return on Investment" "ROI"
- Promote or market products or services not currently offered by Company without previous written permission from Company.
- Advertise on radio or television without written authorization from the Company.
- Make unauthorized claims as to therapeutic or curative properties of any Company products
- Use the name "Company" in any advertisement without simultaneously and conspicuously also having, "[MEMBER Name/DBA], An Independent Member of Company."
- Place advertisements in commercial or retail establishments.

*Note: Many states have "Business Opportunity" laws that have specific and legal connotations, unrelated to what our MEMBERS talk about when referring to Company as a "business opportunity." To avoid confusion, Company prohibits MEMBERS from referring to Company as a "Business Opportunity." You may say it is a home-based business or a "great self employment opportunity."

3.2.7 — Sample Ads and Phrases

The guidelines expressed in [Section 3.2.6](#) were established to protect the opportunity for all MEMBERS. They are not meant to restrain the MEMBER from conducting his or her business in a fair, truthful and profitable manner. Because the majority of the above guidelines represent policies and procedures that prohibit certain actions, the Company has developed some examples of phrases and advertisements that may be used by MEMBERS if desired. These suggestions are available on the Company website and are constantly updated to ensure that MEMBERS are in compliance with federal, state and local regulations. The only locations for approved advertising examples are on the Company website.

The sample list includes complete classified ads that must be used in their entirety along with your contact information. The sample ads include phrases that have specified and limited use. Any violation of the approved use of these sample ads or phrases will result in disciplinary action, up to and including termination.

3.2.8— Company Event System [Intentionally Omitted]

3.2.9 – Internet SPAM Standards

Unsolicited broadcast distribution of email or other distributions that may be defined as "bulk mail" or "SPAM" is strictly prohibited. Only the corporate-approved MEMBER eBlasts are acceptable methods of bulk Internet mailing. Any other bulk use of email is prohibited by Company unless written authorization is provided by Company.

3.3— Changes to the Company Business

3.3.1 — In General

Each MEMBER will immediately notify Company of any changes to the information contained on the MEMBER's Application and Agreement including all changes of address. MEMBERS may modify their existing MEMBER Agreement; i.e., change Social Security Number to Federal ID Number, or change the form of ownership from an individual proprietorship to a business entity owned by the MEMBER, by submitting a written request, a properly executed MEMBER Application and Agreement, and appropriate supporting documentation. If the form of the business is changed from a sole proprietorship to a corporation, partnership or trust, the original MEMBER must submit a Corporation, Partnership, Trust or DBA Form, a copy of the Articles of Incorporation or a copy of the FEIN number issued by the IRS, along with the notification advising the Company of the change.

3.3.2 — Addition of Co-Applicants

When adding a co-applicant, either an individual or a business entity, to an existing Company business, the Company requires both a written request, as well as a completed MEMBER Application and Agreement, containing the applicant's and co-applicant's Social Security Numbers or Federal ID Numbers, if applicable, and signatures. To prevent the circumvention of the section regarding transfers and assignments of Company business, the original applicant must remain as a party to the original MEMBER Application and Agreement. The original MEMBER may not terminate his or her relationship with the Company unless the MEMBER Agreement, and the Company business, is terminated in its entirety. If the original MEMBER chooses termination of his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with these Policies and Procedures. All bonus and commission checks will be sent to the address of record of the original MEMBER.

3.3.3 — Change of Sponsor & Placement

To protect the integrity of all marketing organizations and safeguard the hard work of all MEMBERS, Company strongly discourages changes in sponsorship and placement. Maintaining the integrity of sponsorship and placement is critical for the success of every MEMBER and marketing organization. The transfer of a Company business from one sponsor to another is rarely permitted. Requests for change of

sponsorship must be submitted in writing to the Company and must include the reason for the transfer. Transfers will be considered only in the following two (2) circumstances:

- a. In cases involving fraudulent inducement or unethical sponsoring, a MEMBER may request that he or she be transferred to another organization with his or her entire marketing organization intact. All requests for transfer alleging fraudulent enrollment practices shall be evaluated on a case-by-case basis, with Company having the final decision whether such infraction occurred.
- b. In cases where the enrolling MEMBER accidentally places the newly sponsored person under the incorrect sponsor. These changes must be approved by the Company and MUST be requested within seven (7) days of the enrollment.

Placement changes, like sponsor changes, are rarely, if ever, granted and must meet the criteria listed above; however, Company will consider placement changes in one additional circumstance. If a MEMBER and or their organization have suffered ill effects due to the unethical, illegal or other violations of the Policies and Procedures by a terminated MEMBER in their organization or upline, transfers may be considered, with the final authority for such changes resting with the Company.

The MEMBER seeking to transfer must submit a properly completed and fully executed Sponsorship Transfer Form 2007 from the Company website and fax it to: 941-371-9606 to the attention of the Company, and if so directed, must include the written approval of seven direct upline Active MEMBERS along with the sponsor's signature. If there are not seven upline Active MEMBERS, then the actual number of upline MEMBERS, including the highest-ranking MEMBER. If the transferring MEMBER wants to move any of the MEMBERS in his or her marketing organization, each downline MEMBER also must complete a Request For Transfer Form and return it to Company. Downline MEMBERS will not be moved with the transferring MEMBER unless all requirements are met. Transferring MEMBERS must allow thirty (30) days after the receipt of the Request for Transfer Forms by Company for processing and verifying change requests. Final approval rests with Company. See Form 2007 for more details.

3.3.4 — Cancellation, Termination and Re-Application

A MEMBER may legitimately change organizations by voluntarily canceling or terminating his or her Company business (see [Section 10.4](#)), and remain inactive for six (6) calendar months. Following the six-month period after cancellation or termination, the former MEMBER may re-apply under a new sponsor and new organizational leg. The Company reserves the right to move MEMBERS into different organizations or lines of business at any time for any reason.

3.4 — Unauthorized Claims by MEMBER

3.4.1 — Product Claims

No product claims may be made except those contained in current Company literature. No claims as to therapeutic or curative properties of any products offered by Company may be made except those contained in current, official Company literature which are thoroughly sourced. MEMBERS will not claim Company products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases or illnesses. Such claims are a violation of Company policies, and violate regulations of the United States Food and Drug Administration.

3.4.2 — Income Claims

In their enthusiasm to enroll prospective MEMBERS, some MEMBERS occasionally are tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive, as new MEMBERS become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At Company, we firmly believe that the Company income potential and compensation plan is great enough to be highly attractive, without reporting the earnings of others. Moreover, the Federal Trade Commission and various states have laws or regulations governing or prohibiting various types of income and testimonials by persons engaged in network marketing. Hypothetical income examples used to explain the operation of the Company Marketing and Compensation Program, which is based on mathematical projections, may be made to prospective MEMBERS, provided the MEMBER who uses such hypothetical examples makes clear to the prospective MEMBER(s) such earnings are hypothetical. A disclaimer such as: "Any earnings or success you achieve will vary according to the geographical location, time and effort applied to your particular business, and is not guaranteed by the Company, its management, staff or MEMBERS" is required.

3.4.3 — Indemnification

A MEMBER is fully responsible for all of his or her verbal and written statements made regarding Company products and services, and the Company Marketing and Compensation Program which are not expressly contained in current, official Company materials. Each Company MEMBER agrees to indemnify and hold harmless Company, its shareholders, employees, agents, general/limited partners, and successors in interest from and against any claim, demand, liability, loss, cost, or expense, including, but not limited to, attorney's fees, arising or alleged to arise in connection with that MEMBER's Company business, its affiliates' activities as a Company MEMBER, and any other matter related to MEMBER's performance under the MEMBER Agreement.

3.5— Commercial Outlets

The Company strongly encourages the retailing and selling of its products and services through person-to-person contact. In an effort to reinforce this method of marketing and to help provide a standard of fairness for its MEMBER base, MEMBERS may not display or sell Company products, services or literature in any retail establishment (the Internet, including eBay,

YouTube, and other similar sales channels, is considered a prohibited retail outlet) without prior specific written consent from Company. However, it is permissible to promote and take orders for Company products and services in professional services offices or similar non-retail establishments.

3.5.1 — Trade Shows and Expositions

MEMBERs may display or sell Company products at trade shows and professional expositions; however, the professional image of Company must be considered and maintained. Certain signage requirements for such events must be met prior to the show or exposition utilizing a corporate-formatted Company logo, the MEMBER's name, and followed or preceded by the phrase "Independent Member." The logo can be obtained by contacting the Company Graphics Department. All requests for permission to display or sell products at such events must be approved by the Company prior to the event by submitting a written request accompanied by a properly filled out Form 2000 Request for Approval of Advertising and Sales Materials.

3.6— Conflict of Interest

MEMBERs are permitted to participate in other multilevel or network marketing opportunities. However, products from competing multilevel or network marketing opportunities may not be offered or sold in conjunction with Company products and services. This includes but is not limited to:

1. Advertising Company products and services with non-Company products and services on the same webpage, or advertisement;
2. A direct or indirect Internet link from the Company products and services page to a non-Company product and services page.

MEMBERs stipulate that multilevel or network marketing is not limited in geographic scope of the non-solicitation and unauthorized recruiting provisions of the Policies and Procedures and to do so would render the provisions ineffective. Therefore, the MEMBER agrees that these provisions shall apply in all countries in which Company conducts business. The MEMBER further agrees that the geographic scope applicable to these provisions is reasonable, and further waives any claim or defense that the nonsolicitation provisions are void or voidable based on the breadth of their geographic scope.

3.6.1 — Unauthorized Recruiting and Sales

Based upon Company's legitimate business interests, MEMBERs are expressly prohibited from unauthorized recruiting, which includes the following:

- Actual or attempted recruitment or enrollment of Company Customers or MEMBERs for any other marketing business ventures, either directly or through a third party. This includes, but is not limited to, presenting or assisting in the presentation of other marketing business ventures.
- Producing any literature, tapes or promotional material of any nature for another marketing business

venture which is used by the MEMBER or any third person to recruit Company Customers or MEMBERs for that business venture.

- Selling, offering to sell or promoting non-Company products or services to Company Customers or MEMBERs. Any product or service in the same generic category as a Company product or service is deemed to be competing; e.g., any dietary supplement is in the same generic category as Company's dietary supplements, and is, therefore, a competing product, regardless of differences in cost, quality, ingredients or nutrient content.
- Offering any non-Company products, services or business plan (by themselves or in conjunction with any Company products) at, before or after any Company or MEMBER meeting, seminar, lunch, convention or other Company function.

3.6.2 — Non-solicitation of Company MEMBERs and Customers

For a period of one year after the cancellation (cancellation may be either voluntary, involuntary, through non-renewal, inactivity or termination) of an individual or entity's MEMBER Agreement, the ex-MEMBER shall not directly or through a third party solicit any Company MEMBER or Customer for any other direct sales, network marketing, multilevel marketing program or commissionable opportunity. This provision shall survive the termination or cancellation of the MEMBER's Agreement. If the solicitation of the MEMBER or Customer is performed by a third party outside the MEMBER Agreement, Company will undertake all legal action necessary to be compensated for the irreparable harm caused by the unauthorized solicitation.

3.6.3 — Genealogies and Downline Activity Reports

All Genealogies and Downline Activity Reports are confidential and constitute proprietary information of Company. Originals and copies of these reports must be returned to Company on demand or at the cancellation of the MEMBER's business. Genealogies and Downline Activity Reports are provided to active MEMBERs only in the strictest confidence. These reports are available to MEMBERs for the sole purpose of assisting MEMBERs and their respective downline organizations in the development of their Company business. MEMBERs will use these reports only to manage, motivate, and train their downline MEMBERs. During the term of a MEMBER Agreement and for a period of one year after the termination or expiration of the MEMBER Agreement, for any reason whatsoever, the MEMBER shall not, on his or her own behalf, or on behalf of any person, partnership, association, corporation or other entity:

- Directly or indirectly disclose any information contained in any Genealogy or Downline Activity Report to any third party.
- Use the information to compete with Company.
- Recruit or solicit any MEMBER or Customer of Company listed on any report or in any manner attempt to influence or induce any MEMBER or Customer of Company to alter their business

relationship with Company.

- Use or disclose to any person, partnership, association, corporation or other entity any information contained in any Genealogy or Downline Activity Report. Conflict of Interest provisions shall survive the cancellation or termination of this Agreement. Upon demand by the Company, any current or former MEMBER will return the original and all copies of Genealogies or Downline Activity Reports to the Company, representing that any and all copies have been returned. Any violation of Section 3.6.3 will result in termination.

Any breach by MEMBER of its covenants and agreements in this section may cause irreparable injury to Company that may not be adequately redressed by the payment of monies; therefore, Company shall be entitled to enjoin any such threatened or continuing violation. MEMBER acknowledges that Company holds all right, title, and interest in all information covered in this section and MEMBER agrees that MEMBER has only a limited right to use the confidential information in the course of performing the MEMBER's responsibilities to work the business.

Violations of this policy, 3.6, 3.6.1 and/or 3.6.2 will entitle Company to immediate injunctive relief and a monetary penalty of \$5,000 per occurrence.

3.7— Corporations, Partnerships and Trusts

A corporation, partnership or business trust (collectively referred to in this section as an "Entity") may apply to be a Company MEMBER by submitting its Certificate of Incorporation, Partnership Agreement or Trust documents (these documents are collectively referred to as the "Entity Documents") to Company, to include a properly completed Corporation, Partnership, Trust or DBA Form, and a MEMBER Application and Agreement. A Company business may change its status under the same sponsor from an individual to a partnership, corporation or trust or from one type of Entity to another. The MEMBER(s) must provide the Entity Documents and submit a properly completed Corporation, Partnership, Trust or DBA Form to Company. The Corporation, Partnership, Trust or DBA form must be signed by all of the shareholders, partners or trustees. Members of the Entity are jointly and severally liable for any indebtedness or other obligation to Company. It is the responsibility of those persons involved in the Entity to conform to the laws of the State in which their entity is formed pertaining to the corporate, partnership or business trusts.

All commission and bonus checks will be made out to the legal name of the business entity. When required, an FEIN must accompany the entity filing and name change with Company.

3.8— Cross-Line Activities

3.8.1 - Cross-Line Sponsoring

"Cross-line sponsoring" is defined as the enrollment of an individual or Entity that already has a current Customer, Preferred Customer, or MEMBER Agreement on file with

Company, or who had such an agreement within the preceding six calendar months, within a different line of sponsorship. Actual or attempted cross-group sponsoring is strictly prohibited. The use of a spouse or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, Federal ID Numbers, or fictitious ID numbers to circumvent this policy is absolutely prohibited. MEMBERS may not demean, discredit or invalidate other Company MEMBERS in an attempt to entice another MEMBER to become part of the first MEMBER's marketing organization. This policy shall not prohibit the transfer of a Company business in accordance with the appropriate section within these Policies and Procedures.

3.9— Errors or Questions

In the event a MEMBER has questions about, or believes any errors have been made regarding commissions, bonuses, downline activity reports, OAP/Auto Shipments or charges, the MEMBERS must notify Company within sixty (60) days of the date of the disputed error or incident in question. Company will not be responsible for any errors, omissions or problems after sixty (60) days.

3.10— Excess Inventory Purchases Prohibited

MEMBERS are not required to carry inventory of products or sales aids and Company strongly discourages MEMBERS from carrying inventory. Company ships product directly to the end consumer. Company does not permit more than two (2) of any one individual product that pays a fast start commission to be sold to a new MEMBER, one for personal use and one for retail sales. In the event a MEMBER has a large retail order to fill, it is highly recommended that the Company drop ship to the customer and not the MEMBER.

3.11— Governmental Approval or Endorsement

No federal, state, provincial or local regulatory or governmental agencies or officials approve or endorse any direct selling or network marketing companies or programs. MEMBERS shall not represent or imply Company or its Company Marketing and Compensation Program have been "approved," "endorsed" or otherwise sanctioned by any government agency.

3.12— Holding Applications or Orders

MEMBERS must not manipulate enrollments of new applicants and purchases of products. All MEMBER Applications and product orders must be submitted to Company within 48 hours from the time they are executed.

3.13— Identification

All MEMBERS will provide their Social Security Number or Federal Taxpayer Identification Number to Company on the MEMBER Application and Agreement. Upon enrollment, the Company will provide a unique MEMBER Identification Number to the MEMBER for identification. This number is used to place orders and track commissions and bonuses. Commission payments will not be sent to any MEMBER with a missing or

invalid Social Security Number or Federal Taxpayer Identification Number.

3.14— Income Taxes

Company provides an IRS Form 1099 MISC. (Non-employee Compensation) earnings statement to each MEMBER who falls into one of the following categories:

- Had earnings of over \$600 in the previous calendar year.
- Made purchases during the previous calendar year in excess of \$5,000.

A MEMBER is responsible for paying local, state, and federal taxes on income generated as a MEMBER. If a MEMBER is tax exempt, the exempt Federal or State Tax Identification Number along with all necessary support documentation must be provided to Company.

3.15— Independent Contractor Status

MEMBERS are independent contractors and are not purchasers of a franchise or a business opportunity. The agreement between Company and its MEMBERS does not create an employer/employee relationship, agency, partnership or joint venture between the Company and the MEMBER. MEMBERS shall not be treated as employees for their services or for federal, state or local tax purposes. All MEMBERS are responsible for paying any applicable taxes due from all compensation earned as a MEMBER. A MEMBER has no authority (expressed or implied) to bind the Company to any obligation. Each MEMBER is encouraged to establish his or her own goals, hours and methods of sale, providing he or she complies with the terms of the MEMBER Agreement, Policies and Procedures and any applicable laws.

3.16— Insurance

Insurance (liability, business, or other) is not a requirement to be a MEMBER, however, it is strongly suggested that as a MEMBER's business grows, that the MEMBER contact their insurance provider to determine whether their insurance coverage is adequate.

3.16.1 —Business Pursuit Coverage

MEMBERS may arrange for adequate insurance for their business. Homeowner's insurance policies typically do not cover business-related injuries, the theft of or damage to product inventory or business equipment. Most times, coverage can often be accomplished with a simple "Business Pursuit" endorsement attached to your present homeowner's policy. Contact your insurance provider for more detailed information.

3.16.2 —Product Liability Coverage

The Company, in alliance with its vendors, maintains liability insurance to protect the Company and MEMBERS against product liability claims, but this coverage does not cover

deliberate or negligent misrepresentations by the MEMBERS.

3.17— International Marketing

Because of critical legal and tax considerations, including, but not limited to, compliance with foreign laws regarding product approval, registration, regulations regarding ingredients, labeling, packaging, cautionary statements, taxes, literature content and language requirements, Company must limit the resale of Company products and services, and the presentation of the Company business to prospective Customers and MEMBERS located within the United States, Canada, Singapore, Malaysia, the Caribbean or other countries authorized by the Company. MEMBERS are authorized to sell Company products and services, and enroll Customers or MEMBERS only in the countries in which Company is authorized to conduct business, as announced in official Company literature. Company products cannot be shipped into or sold in any foreign country for the purpose of resale, but may, subject to import laws of that country, be sold for personal consumption only. No MEMBER may sell, give, transfer, import, export or distribute Company products or sales aids in any unauthorized country, province or territory. No MEMBER may, in any unauthorized country, territory or province:

- Conduct sales, enrollment or training meetings
- Enroll or attempt to enroll potential Customers or MEMBERS
- Conduct any other activity for the purpose of selling Company products, services or establishing a marketing organization, or promoting the Company opportunity.

3.18— Laws and Ordinances

3.18.1 — Compliance with Federal State, and Local Laws

MEMBERS shall comply with all federal, state and local laws in the conduct of their business. The violation or attempted violation of any such law or regulation, or fraudulent or deceptive conduct, shall be grounds for disciplinary action by Company.

Although there are thousands of governing laws and statutes on the books in the numerous jurisdictions in which Company MEMBERS operate, there is one critical federal law which requires specific publication in these Policies and Procedures: The FTC Do Not Call Registry. The penalties are significant (\$10,000 for each occurrence) and the statute also covers fax numbers, if registered. To quote from the FTC's website:

Q: Who is covered by the National Do Not Call Registry?

A: The National Do Not Call Registry applies to any plan, program or campaign to sell goods or services through interstate phone calls. This includes

telemarketers who solicit consumers, often on behalf of third party sellers. It also includes sellers who provide, offer to provide, or arrange to provide goods or services to consumers in exchange for payment.

Q: What about an established business relationship?

A: A telemarketer or seller may call a consumer with whom it has an established business relationship for up to 18 months after the consumer's last purchase, delivery, or payment -even if the consumer's number is on the National Do Not Call Registry. In addition, a Company may call a consumer for up to three months after the consumer makes an inquiry or submits an application to the Company. And if a consumer has given a Company written permission, the Company may call even if the consumer's number is on the National Do Not Call Registry.

One caveat: If a consumer asks a Company or individual not to call, the Company or individual may not call, even if there is an established business relationship. Indeed, a Company or individual may not call a consumer regardless of whether the consumer's number is on the registry - if the consumer has asked to be put on the Company's or individual's own Do Not Call list.

Q: How can I access the National Do Not Call Registry?

A: Online at www.telemarketing.donotcall.gov

3.18.2 —Home-Based Business Requirements

Many cities, counties, states and countries have laws regulating certain home-based businesses. MEMBERS must obey any applicable laws. If a city or county official notifies a MEMBER that an ordinance applies to him or to her, the MEMBER will be cooperative and immediately send a copy of the ordinance to the Company.

When sampling products, MEMBERS must check state and local statutes and regulations with regard to sampling food products as some states and counties require special permits.

3.19— Minors

A Minor is a person who is not of legal age (as recognized by the state, province or country in which they reside) to enter a legal and binding contract. Minors are ineligible to participate as a MEMBER, regardless of an adult with legal guardianship granting permission. No one under eighteen (18) years of age shall be permitted to become a MEMBER.

3.20— One Company Business

A MEMBER may operate or have an ownership interest, legal or

equitable, in only one Company business. No individual may have, operate or receive compensation from more than one Company business. The MEMBER Agreement is voided by Company if the MEMBER or the family unit to which the MEMBER belongs has previously signed a MEMBER Agreement, unless the prior agreement expired or was terminated at least six (6) calendar months prior thereto, or the Agreement represents the exception in Section 3.20.1.

3.20.1 — Married Couple Exception

The exceptions to the One Business Rule pertain to married couples and "life partners," who may maintain a separate MEMBER status. This exception only applies when one of the parties is in the direct line of sponsorship of the other. Both parties must be sponsored by the same MEMBER that enrolled the first party. A spouse (or life partner) may be directly placed under the other; however, one spouse (or life partner) cannot sponsor the other. Both parties must complete a MEMBER Agreement and both are individually bound to the Policies and Procedures. See [Section 3.24](#)

3.20.2 — If MEMBERS Marry

Two possibilities exist regarding a Company business when two MEMBERS marry. Because of the marriage, the six-month waiting period explained in [Section 3.3.4](#) may be waived with upline approval. The two MEMBER choices include:

- They may maintain their current distributorships. If one spouse is the sponsor of the other, the sponsor must be changed to the same MEMBER that sponsored the first. Both spouses must be sponsored by the same MEMBER that enrolled the first spouse so long as both are Company MEMBERS and neither belongs to any other network marketing or multilevel Company.
- One spouse may terminate or sell his or her Company business and become a co-applicant with the other. See [Section 3.23](#) regarding the sale of a Company business.

3.20.3 — Actions of Household Members or Affiliated Individuals

If any member of an MEMBER's immediate household engages in any activity, which, if performed by the MEMBER, would violate any provision of the Agreement, such activity will be deemed a violation by the MEMBER. The Company will take disciplinary action pursuant to the Policies and Procedures against the MEMBER. If any individual associated in any way with a corporation, partnership, trust or other entity (collectively "affiliated individual") violates the Agreement, such action(s) will be deemed a violation by the entity, and Company will take disciplinary action against the entity.

3.21— Re-packaging and Re-labeling Prohibited

MEMBERS must not re-package, re-label, refill or alter the labels on any Company products, information, materials or programs.

Company products must be sold in their original containers. Re-labeling or re-packaging violates federal and state laws, resulting in severe criminal and civil penalties or Company sanctions as described in Section 11.1. Liability could arise when, as a consequence of the re-packaging or re-labeling of products, the persons using the products suffer any type of injury or their property is damaged.

3.22— Request for Records

Any request from a MEMBER for copies or other records requires a fee of \$25. These fees cover the expenses associated with the time required to research files, copy records and the postage required to mail records. Distribution by any service other than regular first-class mail will result in an additional charge. Company reserves the right to impose additional fees or deny a request for records depending upon the subject matter or magnitude of the request.

3.23— Sale, Transfer or Assignment of Company Business

Although a Company business is a privately owned, independently operated business, the sale, transfer or assignment of a Company business is subject to certain limitations. If a MEMBER wishes to sell, transfer or assign his or her Company business, the following criteria must be met:

- No sale, assignment or transfer of any MEMBER entity, or MEMBER rights, shall be effective without the prior written consent of Company. All sales, transfers or assignments are at the sole discretion of the Company. Consent by the Company will not be unreasonably withheld.
- Protection of the existing line of sponsorship must always be maintained so the Company business continues to be operated in that line of sponsorship.
- The buyer or transferee must not be a current MEMBER and the purchaser must comply with all applicable policies and procedures including Section 3.20. If the buyer is an active Company MEMBER, he or she must first terminate his or her Company business and remain inactive for six (6) full calendar months before becoming eligible for purchase, transfer, assignment or acquisition of any interest in the Company business.
- Prior to consent, the Company requires all documents of sale or transfer be signed and notarized by all interested parties of the sale, transfer or assignment, and submitted to Company for review and consent. These documents must particularly describe the terms of the sale.
- Company maintains the Right of First Refusal to purchase the MEMBER business. In the event Company does purchase the MEMBER business, any and all revenue earned by the MEMBER business will go to the Company.
- Before the sale, transfer or assignment will be finalized and approved by the Company, any

obligations the selling MEMBER has with Company must be satisfied. Company reserves the right to have the purchase funds placed in a Company escrow account for 90 days before the funds will be released to the seller.

- The selling MEMBER must be active, in good standing and not in violation of any of the terms of the MEMBER Agreement or Policies and Procedures, to be eligible to sell, transfer or assign a Company business.
- If it is determined in the Company's sole discretion the MEMBER's business was sold, transferred or assigned in an effort to circumvent compliance with the Agreement, the Policies and Procedures or the Company Marketing and Compensation Program, the sale, transfer or assignment shall be declared null and void. The MEMBER business shall revert to the original MEMBER, and shall be treated as if the sale, transfer, or assignment had never occurred. If necessary, and at the Company's sole discretion, appropriate action, including termination, will be taken against the original MEMBER to ensure compliance with the MEMBER Agreement and the Policies and Procedures. The Company shall not be liable or responsible for any monies which may have been exchanged in the unauthorized sale of the MEMBER's business.
- Company will charge the MEMBER receiving the position \$169.95 as an administration fee upon submission to and approval by the Company for any sale, transfer or assignment. This fee will include a starter kit and one Company product. Applicable sales tax and shipping charges shall apply. This administration fee must be paid before any transfer will be approved.

3.24— Separation or Termination of a Company Business

Company MEMBERS may also operate their Company business as a husband-wife partnership, regular partnership, corporation(s) or trust(s). If a marriage ends in divorce, or a corporation, partnership or trust (the latter three are collectively referred to herein as "Entities") dissolves, arrangements shall be made assuring any separation or division of the business is accomplished to not adversely affect the interests and income of other MEMBERS up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other MEMBERS and the Company, Company will involuntarily terminate the MEMBER Agreement. During a pending divorce or entity dissolution, the parties shall adopt one of the following methods of operation:

- One of the parties may, with consent of the other(s), operate the Company business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees, authorize Company to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.
- The parties may continue to operate the Company

business jointly on a “business-as usual” basis, whereupon all compensation paid by Company will be paid in the joint names of the MEMBERS or in the name of the Entity, to be divided as the parties may independently agree between themselves.

Under no circumstances will the downline organization of divorcing parties or that of a Company business formerly operated by two or more individuals as any form of Entity, be divided. Similarly, under no circumstances will Company split commission and bonus checks between divorcing parties or members of dissolving Entities. Company will recognize one downline organization and will issue one commission check per Company business, per commission cycle. Commission checks shall be issued to the same individual, joint names or to the entity. In the event parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the business, the MEMBER Agreement shall be involuntarily canceled.

If a former spouse or a former Entity owner has relinquished all rights in his or her original Company business, these parties are thereafter free to enroll under any sponsor of their choosing, providing the 6 month waiting period requirement set forth in these Policies and Procedures is met. This spouse or partner shall have no rights to any MEMBERS in his or her former organization or to any former retail customer. He or she must develop the new business in the same manner as any new MEMBER.

3.25— Sponsoring

All MEMBERS in good standing have the right to sponsor and enroll others in the Company. Each prospective customer or MEMBER has the ultimate right to choose his or her own sponsor. If two MEMBERS claim to be the sponsor of the same new MEMBER or customer, the Company shall regard the first application received by the Company as controlling. Industry practice suggests that the first MEMBER who actually works with a prospective Customer or MEMBER as having first claim to sponsorship. Basic tenets of common sense and consideration will govern with the Company having the final authority to determine the proper sponsor.

3.26— Succession

Upon the death or incapacitation of a MEMBER, his or her business may be passed to his or her heirs. Appropriate legal documentation must be submitted to the Company to ensure the transfer meets legal requirements. A MEMBER should consult an attorney to assist him or her in the preparation of a will or testamentary instrument. If a Company business is transferred by a will or other testamentary process, the beneficiary acquires both existing liability and the right to collect all bonuses and commissions of the deceased MEMBER's marketing organization, provided the below qualifications are met. If the heir so chooses, he or she may sell, transfer or assign the MEMBER business according to policies, see [Section 3.23](#). If the heir(s) choose to conduct the Company business, they must:

- Execute a MEMBER Agreement
- Comply with terms and provisions of the Agreement
- Meet all of the qualifications for the deceased MEMBER's status
- The Benefactor must provide Company with an “address of record” to which all bonuses and commission checks will be sent. Bonus and commission checks of a Company business transferred pursuant to this section will be paid in a single check to the Benefactor

3.26.1 — Transfer upon Death of MEMBER

To affect a testamentary transfer of a Company business, the successor must provide the following to Company:

- An original death certificate
- A notarized copy of the will or other instrument establishing the successor's right to the Company business
- An executed MEMBER Agreement

3.26.2 — Transfer upon Incapacitation of a MEMBER

To affect a transfer of a Company business because of incapacity, the successor must provide the following to Company:

- A notarized copy of an appointment as trustee or guardian
- A notarized copy of the trust document or other documentation establishing the trustee or guardian's right to administer the Company business
- A MEMBER Agreement executed by the trustee or guardian

SECTION 4- RESPONSIBILITIES OF MEMBERS

4.1 — Change of Address or Telephone Numbers

To ensure timely delivery of products, support materials and commission checks, the Company files must be current. Any change of address or telephone number shall be corrected under the “Update Profile” section of the online LiveSmart 360 back office. Updated information may also be mailed to Company's corporate office. In order to guarantee proper delivery and data entry of the change, at least two weeks notice must be provided to the Company on all changes made by mail. The Company will not be responsible for shipments that are delayed or lost due to the MEMBER's neglect to provide accurate and timely shipping information.

4.2— Ongoing Training

Any MEMBER who sponsors another MEMBER into the Company must perform a bona fide supervisory function to ensure that his or her downline is properly operating their Company business. MEMBERS must have ongoing contact, communication and coaching supervision with the MEMBERS in

their downline organizations. Examples include but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline MEMBERS to Company meetings, training sessions and other functions. Upline MEMBERS also are responsible to motivate and train new MEMBERS in Company product knowledge, effective sales techniques, the Company Marketing and Compensation Program, and these Policies and Procedures. MEMBERS will monitor the MEMBERS in their downline organization to ensure downline MEMBERS do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every MEMBER will provide documented evidence to the Company of their ongoing fulfillment of the responsibilities of a sponsor. Failure to do so can result in termination.

Any MEMBER must continue to support the Company organization through training, ongoing communication, coaching, supervision, motivation and accessibility in order to continue to receive any compensation including applicable bonuses

Any MEMBER hosting organizational training calls must do so at times that does not conflict with Company corporate training or informational calls. These calls are presented to allow MEMBERS to gain information and knowledge about the Company, the products, sales tips, policies and procedures and business building and are integral to the development and success of the MEMBER's business.

4.3 — Ongoing Sales Responsibilities

Regardless of their level of achievement, MEMBERS have an ongoing obligation to personally promote sales through the generation of new Customers and servicing their existing Customers. It is required that each Active MEMBER and above maintain a minimum of four (4) separate active Retail or Company Preferred Customers ("PC"s).

4.4— Non-Disparagement

In setting the proper example for their downline, MEMBERS will not disparage other Company MEMBERS, Company's products, Company's Marketing and Compensation Program or the Company's employees.

4.5— Reporting Policy Violations

MEMBERS observing a policy violation by another MEMBER should bring the violation directly to the attention of the Company. The MEMBER should provide details of the incident including, but not limited to: date, number of occurrences, persons involved, and any supporting documentation. These reports need to be in writing and mailed or faxed to the Company.

4.6—Reviewing Policies and Procedures with Applicants

MEMBERS will review the most current version of the Policies and Procedures with prospective MEMBERS prior to the applicant signing a MEMBER Agreement.

4.7—Confidentiality/Communications

Company business relationships with its consultants, officers and employees, marketing alliances, manufacturers, vendors, suppliers, and Company associates (collectively referred to herein as the "Company Representative"), within or outside the corporate workplace, are confidential, proprietary, and not to be circumvented by either the MEMBER or Company Representative. A MEMBER shall not contact, directly or indirectly, or speak to or otherwise communicate with any current Company Representative, except while the Company Representative is representing Company in an official capacity or at a Company sponsored event at which the Company Representative is present at the request of Company or as otherwise expressly permitted in writing by Company. Under no circumstances shall a MEMBER contact, either directly or indirectly, or speak to or otherwise communicate with any former Company Representative without the express written permission from Company. Violation of this regulation may result in termination of the MEMBER and possible claims of damages against the MEMBER or the Company Representative. Questions regarding any of these businesses should be directed to the Company.

4.8— Release for use of Photo, Audio, Video Image, and/or Testimonial Endorsement

MEMBERS agree to allow the use of its or their name for recognition and marketing purposes and must provide Company with a picture of the MEMBER upon request, as set forth in the guidelines below.

All Company MEMBERS grant to Company, and its successors, assigns, employees and agents, the absolute and irrevocable right and permission, with respect to any photograph, audio and/or video picture taken of them, or in which they may be included with others, and with respect to any testimonial endorsement:

- To use, reuse, broadcast, rebroadcast, publish, or republish 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,
- In the case of visual representations, to copyright such photograph and/or video, in the original or as republished, in the name of the Company, or in any other name. MEMBERS hereby confirm that the information given by them as a testimonial endorsement, or represented in a photograph, video or audio is true and accurate to the best of their knowledge. By submitting the testimonial, the

MEMBER hereby waives any right that they may have to inspect or approve the finished or unfinished product or products, the advertising copy, printed, recorded, photographic or video matter which may be used in connection therewith, or the use to which it may be applied.

- MEMBERS hereby release and discharge the Company, and its and their successors, assigns, employees, and agents, from any and all liability, claim or demand arising out of or in connection with the creation and the use of the above-mentioned photograph, video, audio or endorsement, including any claim for defamation.

SECTION 5- SALES REQUIREMENTS

5.1 - Product Sales

The Company Marketing and Compensation Program is based upon the sales of products and services to end consumers. MEMBERS must fulfill specified personal and downline organization retail sales requirements and meet responsibilities set forth in the Agreement, to be eligible for bonuses, commissions and advancement to higher levels of achievement. The following sales requirements must be satisfied by MEMBERS to be eligible for commissions:

- MEMBERS must satisfy their monthly Personal Bonus Volume requirements as stated in the Company Marketing and Compensation Program. Personal Volume shall include purchases made by the MEMBER and purchases made by the MEMBER's Retail Customers and Preferred Customers (PCs).
- A minimum of seventy percent (70%) of a MEMBER's personal orders, including OAP/AutoShip, must be used or sold to his or her personal Retail Customers. MEMBERS may not purchase additional product until at least seventy percent (70%) of the previous order has been used or sold to end consumers. By placing new orders, including AutoShip, the MEMBER agrees and attests that they have conformed to this requirement.
- MEMBERS must develop or maintain at least four (4) Customers every month that purchase products or services. These customers are Retail Customers or PCs.
- MEMBERS are required to furnish Retail Customers with a copy of an official Company receipt at the time of the sale. These receipts outline the Customer Refund Warranty for Company products, as well as any consumer protection rights afforded by federal or state laws. Sales receipts are found in the Back Office, Form # 1003. • MEMBERS will maintain all retail sales receipts for a period of two (2) years. Company will, from time to time, randomly contact MEMBERS for copies of retail receipts. Complying with such a request is mandatory and failure to provide the required retail receipts will result in disciplinary action. In the normal course of business, Company will maintain records documenting the purchases of a

MEMBER's PCs.

5.1.1 - Buyer's Right to Cancel

All MEMBERS must notify both new MEMBERS and customers of the following:

NOTICE OF RIGHT TO CANCEL

You may cancel this transaction, without any penalty or obligation, within THREE BUSINESS DAYS from the above date (five days for Alaska residents).

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within TEN (10) business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller at your residence, in substantially as good a condition as when received, any goods delivered to you under this contract or sale, or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you make the goods available to the seller and the seller does not pick them up within twenty (20) days of the date of your Notice of Cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to the seller, or if you agree to return the goods to the seller and fail to do so, then you remain liable for performance of all obligations under the contract.

To cancel this transaction, mail or deliver a signed and dated copy of this Cancellation Notice or any other written notice, or send a telegram, to Company NOT LATER THAN MIDNIGHT of the third business day following the date set forth above. The Company Sales Order Form contains all legally required notices. It must be given to the buyer on every sale. In addition, the MEMBER must orally inform the buyer of the three-day right to cancel at the time the buyer signs the contract of sale or purchases the goods.

5.2— No Price or Territory Restrictions

MEMBERS are not required to sell Company products at the suggested retail prices set by Company on the Company price list. MEMBERS may sell Company products at any reasonable price they choose. There are no exclusive territories granted to any Company MEMBER to market products or for sponsoring new MEMBERS.

SECTION 6- BONUSES AND COMMISSIONS

6.1 — Bonus and Commission Qualifications

A MEMBER must be active and in compliance with the Agreement to qualify for bonuses and commissions. Company shall pay commissions to the MEMBER in accordance with the Company Marketing and Compensation Program. Unless specified differently, bonuses and commissions are paid each Monday for the previous week's sales. Car bonuses are paid monthly.

6.2— Adjustment to Bonuses and Commissions

MEMBERS receive bonuses and commissions based on the actual sales of products and services to end consumers and downline MEMBERS. If a product is returned to the Company for a refund, the bonuses and/or commissions attributable to the returned product(s) will be deducted until recovered from the

MEMBER(s) who received the bonus or commissions on the sales of the refunded goods. If necessary, the MEMBER(s) will be billed the amount of the adjustment until the account is cleared.

6.3—Unclaimed Commissions and Credits

Commissions are void after 90 days from their date of issuance. Customers or MEMBERS that have a credit account must use the credit within six (6) months from the date that the credits were issued.

6.4 – BMW Car Bonus

Based upon qualification, the Company Car Bonus pays up to \$2000 per month towards the purchase/lease of a qualifying BMW automobile. Without express written permission from Company granting a longer period, Company will pay the Car Bonus for a maximum of 3 years. The Car Bonus must be applied to the purchase/lease of a vehicle; a Car Bonus form must be completed and submitted by the qualifying MEMBER accompanied by a copy of the bill of sale or lease agreement and a professional quality photo of the MEMBER standing by the vehicle for promotional use by Company. The car payment may exceed the qualifying amount of the Car Bonus Payment. MEMBERS are limited to one car/vehicle payment per MEMBER position. No BMW Automobiles older than 3 years will qualify for the BMW Car Bonus.

6.5 – Life Changing Bonus

Company will pay up to \$5000 per month, depending on qualification level, as a Life Changing bonus for MEMBERS meeting the qualifications set forth in the Compensation Plan. MEMBERS will only receive the compensation amount applicable to their qualified level.

SECTION 7-ORDERING

7.1 – Sales Goals

The foundation of a successful enterprise can be found on two platforms: developing and expanding product sales to end consumers who will become repeat customers; and the development (enrollment, encouragement and continued coaching) of a downline. It is strongly suggested that the time be divided equally, as each portion of the foundation is necessary to support the other. Without retail product sales, the organization will collapse. The Company is a product and service based direct sales Company.

7.1.1 —Preferred Customers (PCs) Program

MEMBERS are encouraged to promote the Preferred Customer Program to retail customers. PCs simply go to their own Company website to place their orders, which they can charge to their credit card or they can mail in their orders directly to Company. Company will drop ship the ordered products directly

to the PC. To ensure that MEMBERS receive the appropriate commission, PCs may not place an order without being connected to a MEMBER. PCs are eligible to maintain their own AutoShip profile. To receive PC pricing, PCs must be on AutoShip.

7.1.2 – Order Assurance Program/ Monthly AutoShip
Under this program, the MEMBER or PC authorizes the Company to have a specified dollar amount drafted automatically from their checking account or credit card account. This amount is based upon a pre-selected order, assuring that the MEMBER has met his or her monthly volume requirements.

Company will send the MEMBER or Customer their preselected order every month, allowing the MEMBER or Customer to choose from many products or gift certificates each month for retailing or personal use.

Disclosure of the OAP/AutoShip program to prospective new MEMBERS is mandatory. A sponsoring MEMBER will not place anyone on OAP/AutoShip or select products for them without disclosure of the exact amount they will be billed monthly and what products or services they will receive. The new MEMBER must agree to utilization of the OAP/AutoShip program before the OAP/AutoShip profile is setup. This includes, but is not limited to, the monthly web hosting fee. Violation of this policy could result in sanctions up to and including termination of the Member position.

OAP/AutoShip is not mandatory for any MEMBER. Monthly volume requirements are encouraged to be achieved through personal use purchases, which may be met through OAP/AutoShip and PC AutoShips. MEMBERS or PCs refusing an OAP/AutoShip will result in all AutoShips being stopped.

MEMBERS electing to receive AutoShip orders agree to do so under the 70% Rule (See Section 5.1.1) requiring them to sell or consume at least 70 percent (70%) of their previous order prior to receiving the next month's order.

7.2— Purchasing Company Products

Each MEMBER must purchase his or her products directly from Company. If a MEMBER purchases products from another MEMBER, or any other source, the purchasing MEMBER will not receive the Personal Sales Volume associated with that purchase as it was previously credited to another MEMBER, nor will they be able to obtain a refund or exchange from Company.

7.3— General Order Policies

The Company will attempt to contact the MEMBER either by telephone, email or regular mail to obtain another payment regarding mail orders with invalid or incorrect payment. If these attempts are unsuccessful after five working days, the order will be returned unprocessed. No C.O.D. orders will be accepted. Company maintains no minimum order requirements.

7.4— Shipping and Back-Order Policy

Company will make every effort to ship products within five (5) business days from the date on which it processes an order, although it is our sincere goal of "Out the Door in 24!," Company will expeditiously ship any part of any order currently in stock. If an ordered item is out of stock, the item will be placed on back-order and shipped as soon as Company receives additional inventory. MEMBERS will be charged and given Personal Sales Volume on back-ordered items unless notified that the product has been discontinued. Company will notify MEMBERS and PCs if items are back-ordered and are not expected to ship within 30 days from the date of the order. An estimated shipping date also will be provided. Back-ordered items may be substituted for other product upon a MEMBER's or Customer's written request.

7.5— Confirmation of Order

A MEMBER or recipient of an order must confirm that the product received matches the product listed on the shipping invoice and is free of damage. Failure to notify the Company of any shipping discrepancy or damage within ten (10) days of receipt will void the right to request a correction.

SECTION 8- PAYMENTS AND SHIPPING

8.1 — Deposits and Prepayments

No money shall be paid to or accepted by a MEMBER for sale to a Retail Customer except at the time of product delivery. MEMBERS will not accept money from Retail Customers to be held for deposit in anticipation of future deliveries.

8.2— Insufficient Funds

It is the responsibility of each MEMBER to ensure there are sufficient funds or credit available in his or her account to cover the cost and fees attached to any order. Company is under no obligation to contact MEMBERS regarding orders canceled due to insufficient funds or credit (section 7.3 notwithstanding). The Company will not be responsible for any insufficient charges incurred by the MEMBER's financial institution as a result of their insufficient funds.

8.3 — Returned Checks

All checks returned by an MEMBER's bank for insufficient funds will not be re-submitted for payment. A \$30.00 returned check fee or the maximum amount allowable by law, whichever is less, will be charged to the account of the MEMBER. After receiving a returned check from a MEMBER, the Company will require all future orders submitted by the MEMBER to be paid by credit card, money order or cashier's check. Any outstanding balance owed to Company by a MEMBER for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.

8.4— Restrictions on Third-Party Use of Credit Cards and Checking Accounts

MEMBERS must not permit other MEMBERS or Customers to use

their personal credit card or permit debits to their checking accounts, either to enroll or make purchases from the Company. MEMBERS shall not place their credit card or debit card information on the account of any other MEMBER, either to enroll that MEMBER or make purchases from the Company. In the event this occurs, Company will not be responsible for any charges incurred by the actual credit card holder.

8.4.1 - Bonus Buying Prohibited

Bonus buying is strictly and absolutely prohibited. "Bonus buying" includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of a MEMBER Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a MEMBER or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as MEMBERS or Customers ("phantoms"); (d) purchasing Company products or services on behalf of another MEMBER or Customer, or under another MEMBER's or Customer's I.D. number, to qualify for commissions or bonuses; (e) purchasing excessive amounts of goods or services that cannot reasonably be used or resold in a month; and/or (f) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions or bonuses that is not driven by bona fide product or service purchases by end user consumers.

Disputes arising from the voluntary use of a MEMBER's credit card on another account will result in all monies paid out by Company to the complainant being deducted from the cardholder's account.

8.4.2 – Chargebacks

MEMBERS will not resolve billing disputes through the issuance of chargebacks to their credit cards. All billing disputes must be handled by contacting the Customer Service Department or Customer Service Manager at the Company. If unable to achieve resolution through these channels, the MEMBER should contact the Company legal department. Chargebacks are costly to the Company including loss of revenue and product and fees charged by the credit card companies. Failure to follow these procedures will result in termination of the MEMBER's business.

Filing a false chargeback claim rather than going through the normal refund policy may also result in civil charges being filed by Company against the offending party.

8.5— Sales Taxes

For purchases made from the Company, Company collects and remits applicable state taxes which may be due on the suggested retail selling price of those products and/or materials which are subject to tax. The applicable rate of tax due is based on the address to which the product and/or material is delivered. If a MEMBER has submitted a current Sales Tax Exemption Certificate and Sales Tax Registration License or other valid exemption document, sales tax will not be added to the invoice. In that case the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be then

upon the MEMBER. Exemption from the payment of sales tax is applicable only to orders that are shipped to a country, state or province for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state or province. Any sales tax exemption accepted by the Company will not be retroactive.

SECTION 9- PRODUCT GUARANTEES, RETURNS, AND INVENTORY REPURCHASES

9.1 — Product Guarantee

Company guarantees its products against container rupture, faulty workmanship or inadvertent product shortage. The broken or damaged item will be replaced at no cost to the MEMBER or Customer upon receiving the damaged product back at the Company shipping facility.

9.1.1 — Returns by Retail Customers to MEMBERS

Company offers, through its MEMBERS, a 100 percent (100%) unconditional sixty day, money-back guarantee to all Retail Customers. Every MEMBER shall honor the Retail Customer guarantee. If for any reason a Retail Customer is dissatisfied with any Company product or service, the Retail Customer may return the product to the MEMBER within sixty (60) days for a refund, replacement or exchange, less shipping charges. See Section 9.1.2 regarding procedures for MEMBER returns to Company from his or her Retail Customer.

Failure of the MEMBER to fulfill the above obligation will result in Company honoring this guarantee, refunding the appropriate money for a return and deducting the refunded amount plus a \$30 processing fee from the MEMBER's account.

9.1.2 — Returns by MEMBERS — (Products Returned by Personal Retail Customers to the MEMBER)

If a Retail Customer returns a product to the MEMBER from whom it was purchased, the MEMBER may return it to the Company for an exchange or a replacement only. All products returned from personal Retail Customers must be returned to the Company within fifteen (15) days from the date on which it was returned to the MEMBER, along with a copy of the sales receipt the MEMBER furnished the Customer for the original sale. To receive an exchange, a MEMBER shall furnish the unused portion of the product and written statement pertaining to the refund transaction with the Customer. Products must be exchanged within 90 days of the original MEMBER purchase. A \$7.00 minimum processing fee is charged on all exchanges. The MEMBER is responsible for shipping cost on the returned product.

9.1.3 — Returns by Customers directly to Company

Company offers Customers (not MEMBERS) an unconditional sixty day, money-back guarantee. If for any reason a Customer is dissatisfied with any Company product or service, he or she

may return that product to the Company within sixty days for a replacement, exchange or a full refund of the purchase price, less shipping charges. Volume for any returns will be deducted during the volume week and month of the refund, with volume being deducted from the upline MEMBERS that profited from the original sale. There are no refunds on any service that has been completed. Refunds will not be given for the current month of services.

9.1.4 — Returns by MEMBERS — (Personal Consumption Products Only)

If a MEMBER is dissatisfied with any Company product purchased for personal use, the Company will exchange products for sixty days from the shipment date. As a result of an exchange, there will be no future credits offered if the product exchanged for is not of equal value. All returns must be postmarked within fifteen (15) days of receipt of a RMA number, see Section 9.1.5.

9.1.5 — Returns by MEMBERS upon Resignation

Any MEMBER who terminates their position must notify the Company in writing. At that time, any unused salable product that has shipped within the last 60 days of the termination date may be returned to Company under the 70% Rule, (see Section 5.1) for a refund equal to 90 percent (90%) of the original purchase price, less any commissions or bonuses paid. All returns will, in turn, have the corresponding business volume deducted from the upline that benefited from the sale initially.

All returns must have a Return Merchandise Authorization number (RMA). An RMA number can be obtained by filling out Form number 2010. This can be found on the Company website. Fax the form to 941-371-9606, or get the RMA number by calling the Company Customer Service Department at 941-371-1010. This refund is subject to the MEMBER's prior representations regarding compliance with the 70% Rule, See Section 5.1. In any state in which a specific buyback requirement has been enacted which may vary from the foregoing, Company shall repurchase products and sales aids in accordance with the applicable statute. Perishable items such as food or certain types of skin care products will not be refunded after thirty (30) days from date of purchase.

9.2— Procedures for Returns

The following procedures apply to all returns for refund, repurchase or exchange:

- The MEMBER or Customer who purchased it directly from Company must return all merchandise (except as allowed for in Article 9.1.1. above) The Company recommends that the MEMBER or Customer take pictures of package before returning to Company.
- Products are not considered current or resalable if:
 - Returned after the product's commercially usable or shelf life has passed.
 - If they are used or have been consumed.

- If the Company has stated prior to the purchase that the products are seasonal or special promotion products (including Show Specials) and are not subject to the repurchase obligation.
- If the products are discontinued.
- Opened videotapes, audiotapes, CDs or previously factory-sealed merchandise shall be considered not resalable and may not be returned for a refund. However, if a product proves to be defective, it may be replaced with the same product.
- All products to be returned must have a Return Merchandise Authorization Number, see Section 9.1.5. This RMA must be written on the outside of each box/carton returned. Packages received without an RMA will be returned to MEMBER or Customer.
- Packages sent to Company warehouse without following the RMA procedures will be refused and returned to shipper at their expense.
- The return must be accompanied by:
- A copy of the original dated retail sales receipt or invoice.
- The unused portion of the product in its original container if doing an exchange.
- Proper shipping carton(s) and packing materials are to be used in packaging the product(s) being returned for replacement or refund. MEMBERS must use UPS, Federal Express, Airborne, or other similar shipper which has shipment tracking capabilities. Insurance on the package is advisable as any loss or damage is the responsibility of the MEMBER until delivery to Company. All returns must be shipped to Company shipping prepaid. Company does not accept collect-shipped or damaged packages. If returned products are not received by the Company's Distribution Center, it is the responsibility of the MEMBER to trace the shipment.
- If a MEMBER is returning merchandise to Company that was returned to him or her by a Retail Customer, the product must be received by Company within fifteen (15) days from the date on which the Retail Customer returned the merchandise to the MEMBER, and shall be accompanied by the sales receipt the MEMBER provided the Customer at the time of sale. No refund or replacement of product will be made if the conditions of these requirements are not met.
- If there is no damage to the shipment or the items, a refund will be issued no later than sixty (60) days after receipt of the shipment.
- If the shipment or the contents arrived damaged, digital photos will be taken. A postcard will be mailed to the shipping MEMBER explaining the damage. The MEMBER will have thirty (30) days in which to file a claim with the shipper for the damages and notify the Company. If the MEMBER fails to: (1) file a claim against the shipping Company; and (2) notify Company of that claim, after thirty (30) days, Company will destroy the product and no refund will be made. Please note that this is not a Company rule: In all cases, whoever ships the product is the ONLY one who may file a claim for damages.

9.2.1 – Sales Aids

Sales tools are a completely optional purchase and while these tools may assist the user in achieving measures of success, they are not mandatory for success, nor are they in any way considered to be the acceptable or endorsed method for success. And, since the creation of these tools is an ever-evolving process, exchanges are only permitted for thirty (30) days after direct purchase from Company. Sales tools represent an exception to the MEMBER Product Exchange Policy.

Sales aids have no personal or business volume attached to the purchase. MEMBERS may sell or offer to sell Company sales tools only to other Company MEMBERS provided the price charged does not exceed the price set forth by the Company. Misleading statements which, in any way, compel a MEMBER to make purchases of sales tools from the Company or from the MEMBER will result in punitive actions by the Company including a fine to the selling MEMBER for the entire purchase amount.

9.3 – Business Volume and Returns

Organizations and MEMBERS accumulate Business Volume through the sale of products in OAP/AutoShip, website orders, PC online ordering and products purchased by new enrollees. At the time of refund, the Business Volume attributed to the order will be deducted in its entirety from the organization that originally benefited by the sale.

SECTION 10- INACTIVITY AND CANCELLATION

10.1— Effect of Cancellation

The Company shall pay commissions to MEMBERS in accordance with the Company Marketing and Compensation Program to any MEMBER who complies with the terms of the MEMBER Agreement and these Policies and Procedures. A MEMBER's bonuses and commissions constitute the entire consideration for the MEMBER's efforts in generating sales and all activities related to generating sales. Following a MEMBER's non-renewal of his or her MEMBER Agreement, or voluntary or involuntary cancellation of his or her MEMBER Agreement (all of these methods are collectively referred to as "cancellation") or termination, the former MEMBER shall have no right, title, claim or interest to the marketing organization which he or she operated, or any commission or bonus from the sales generated by the organization. Following a MEMBER's cancellation of his or her MEMBER Agreement, the former MEMBER shall not hold him/herself out as a Company MEMBER and shall not have the right to sell Company products or services or attend Company-related events. A MEMBER whose MEMBER Agreement is canceled shall receive commissions and bonuses only for the last full pay period he or she worked prior to cancellation, less any amounts withheld during an investigation preceding an involuntary cancellation or termination.

10.2— Inactive Status

It is the MEMBER's responsibility to lead his or her marketing organization with the proper example in personal commissions from sales generated through his or her marketing organization. If a MEMBER has not fulfilled his or her Personal Volume requirements for a period of sixty (60) days, his or her MEMBER Agreement shall be deemed cancelled and the MEMBER status will irreparably change to PC status with only those rights and benefits afforded to PCs. This change of status will become effective on the day following the last day of the sixty day period of inactivity. Members that you enroll shall roll up to your sponsor or the next active Member in the organization. Members will be given a 15 day grace period after the 60 day period of inactivity to reinstate their position. Company is not obligated to provide written confirmation of the change of status.

10.3— Involuntary Cancellation

MEMBERS in violation of any of the terms of the Agreement, including any amendments that may be made by Company will result in any of the sanctions listed in Section 11.1, including the involuntary cancellation or termination of his or her MEMBER Agreement. Cancellation shall be effective on the date on which written notice is mailed with return receipt requested, to the MEMBER's last known address.

10.4— Voluntary Cancellation

A MEMBER may voluntarily cancel his or her MEMBER Agreement at any time for any reason by filling out Form number 2010 on the Company website and faxing Form number 2010 to Company at: 941-371-9606.

10.4.1 — Non-renewal

A MEMBER also may voluntarily cancel his or her MEMBER Agreement by failing to renew the Agreement on its anniversary date.

SECTION 11-DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

11.1— Disciplinary Sanctions

Violation of the MEMBER Agreement, these Policies and Procedures, or any illegal, fraudulent, deceptive or unethical business conduct by a MEMBER will result, in one or more of the following corrective measures:

- Issuance of a written warning or reprimand. Probation for a specific period of time is one option, depending upon the severity of the offense, during which time the MEMBER will refrain from any other infractions.
- Imposition of a fine that can range from \$0 to \$1,000,000, which will be withheld from bonus and commission checks.

Fines will vary according to the infraction and MEMBER's rank and may include amounts to cover the cost of the infraction(s) or future restitution.

- Loss of rights to one or more bonus and commission checks. This can be in the form of a suspension which prohibits further MEMBER activity until the case is resolved.
- Adjustment of any marketing organization, including the movement of all or part of the marketing organization to another MEMBER.
- Involuntary termination of the offender's MEMBER Agreement.
- Requiring the MEMBER to take immediate corrective measures.
- Any other measure expressly allowed within any provision of the Agreement.
- Any other measure which the Company deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the MEMBER's policy violation or contractual breach.
- The Company may withhold from a MEMBER all or part of the MEMBER's bonuses and commissions during the period that Company is investigating any conduct allegedly in violation of the Agreement. If a MEMBER's business is canceled for disciplinary reasons, the MEMBER will not be entitled to recover any commissions withheld during the investigation period.
- Company may institute legal proceedings for monetary and/or equitable relief or prosecute criminally in its sole discretion.

11.1.1 – Review

Disciplinary reviews are conducted by the Company legal department to protect MEMBERS, consumers and the Company against negative publicity, legal ramifications or financial hardship and to ensure the adherence to the corporate guidelines outlined in these policies and procedures.

Investigations are a non-biased collection and examination of the facts and circumstances surrounding a particular action, event, or individual that there is reason to believe is in violation of the Company Policies and Procedures or criminal, civil or regulatory law.

In order to resolve these issues in a timely manner, MEMBERS agree to cooperate fully and provide complete and accurate information to the investigator.

11.2— Grievances and Complaints

When a MEMBER has a grievance or complaint with another MEMBER regarding any practice or conduct in relationship to their respective Company businesses, the complaining MEMBER shall first report the problem to his or her immediate upline who will review the matter and attempt to resolve issues with the other party's upline. If the issues cannot be resolved, it must be reported in writing to the Company. The Company will review the facts and attempt to resolve issues. In the event the issue cannot be resolved, the grievance shall be referred to the Dispute Resolution Board for final review and determination.

You may also contact Ethics@LiveSmart360.com. MEMBER uplines have no authority to resolve any issues that circumvent, oppose or contradict the Agreement, the Policies and Procedures or Company's Marketing and Compensation Plan.

11.3 —Dispute Resolution Board

The purpose of the Dispute Resolution Board ("DRB") is:

- (1) To review appeals of disciplinary sanctions.
- (2) To review matters between two or more Company MEMBERS.
- (3) After response or settlement instituted by the Company legal department has been denied or otherwise remains unresolved, the Dispute Resolution Board (DRB) shall review evidence, deliberate and respond to current exceptional issues on a collective basis.

A MEMBER may submit a written request for a telephone or in-person hearing within seven (7) business days from the date of:

- (1) The written notice by Company of disciplinary action.
- (2) The written decision regarding disputes between MEMBERS.

All communication with Company and the MEMBER seeking resolution of a dispute must be in writing. It is within the DRB's discretion whether a claim is accepted for review. If the DRB agrees to review the matter, it shall schedule a hearing within two (2) weeks of receipt of the MEMBER's written request. All evidence, i.e., documents, exhibits, etc., that a MEMBER desires to have considered by the DRB must be submitted to Company no later than seven (7) days before the date of the hearing. The MEMBER shall bear all of the expenses related to his or her attendance and the attendance of any witnesses he or she desires to be present at the hearing. The decision of the Dispute Resolution Board will be final and subject to no further review. During the pendency of the appeal before the DRB, the MEMBER waives his or her right to pursue arbitration or any other remedy.

11.3.1 — Appeals of Involuntary Termination

Following an involuntary termination, the canceled MEMBER may appeal the termination to the Dispute Resolution Board ("DRB"). The MEMBER's appeal must be in writing and received by the Company within twenty-five (25) days of the date of Company's termination notice. The MEMBER must submit all supporting documentation with his or her appeal correspondence. The written appeal will be reviewed by the DRB. If the MEMBER files a timely Appeal of Termination, the DRB will review and reconsider the termination, consider any other appropriate action, and notify the MEMBER in writing of its decision. If Company does not receive the appeal within the 25-day period, the cancellation will be automatically and irrevocably deemed final.

11.4— Arbitration

Any controversy or claim by any current or former MEMBER arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules. Judgment in the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. If a current or former MEMBER files a claim or counterclaim against Company, he or she may do so only on an individual basis and not with any other current or former MEMBER, or as part of a class or consolidated action. Current or Former MEMBERS waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in Sarasota County, Florida.

There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a strong preference being an attorney knowledgeable in the direct sales industry, selected from the panel that the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees.

The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

Nothing in these Policies and Procedures shall prevent the Company from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction, or other relief available to safeguard and protect Company's interest prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

11.5— Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside in Sarasota County, Florida. The law of the State of Florida shall govern all disputes arising from the Agreement.

SECTION 12- GLOSSARY OF TERMS

12.1— Definitions

ACTIVE MEMBER — A MEMBER who satisfies the minimum Personal Bonus Volume requirements, as set forth in the Company Marketing and Compensation Plan, to ensure that a MEMBER Agreement remains in force.

ACTIVE RANK — The term "active rank" refers to the current rank of a MEMBER, as determined by the Company Marketing and Compensation Plan, for any calendar month or volume period. To be considered "active" relative to a particular rank, a MEMBER must meet the criteria set forth in the Company

Marketing and Compensation Program for his or her respective rank. (See the definition of "Rank" below.)

AGREEMENT — The contract between the Company and each MEMBER includes the MEMBER Application and Agreement, the Company Policies and Procedures, the Company Marketing and Compensation Program, and the Entity Application and Agreement (where appropriate). These documents collectively are referred to as the "Agreement."

BONUS VOLUME (BV) — The commissionable value of products and services sold by the Company.

COMMISSIONABLE PRODUCTS AND SERVICES — All Company products and services on which commissions and bonuses are paid. By way of example, sales aids are not commissionable products.

COMPANY — The term "Company" as it is used throughout the Agreement means LiveSmart 360 and any other subsidiary or affiliate of LiveSmart 360.

CUSTOMER — When the term "Customer" (with an uppercase "C") is used in these Policies and Procedures or other Company literature, it refers to a Preferred Customer. For purposes of these Policies and Procedures, and the Company Marketing and Compensation Program, Customers are not MEMBERS. If a Customer subsequently decides to become a MEMBER, he or she must properly complete a MEMBER Agreement. When reference is made to Retail Customer, the term "Retail Customer" will be used.

DOWNLINE — See "Marketing Organization" below.

DOWNLINE ACTIVITY REPORT — A monthly report generated by Company that is issued with the MEMBER's commission check and provides critical data relating to the identities of MEMBERS, sales information and enrollment activity of each MEMBER's marketing organization. This report contains trade-secret information, which is proprietary to Company.

DOWNLINE LEG — Each one of the individuals enrolled immediately underneath a particular MEMBER and their respective marketing organization represents one "leg" in the particular MEMBER's marketing organization.

END CONSUMER — A person who purchases Company products for the purpose of personally consuming them, rather than for resale to someone else.

ENTITY AGREEMENT — A binding contract entered into by Company and any MEMBER who wishes to choose a corporate or partnership form of business. Upon acceptance by the Company, this contract, together with the Policies and Procedures, MEMBER Application and Agreement and Company Marketing and Compensation Program, spells out the complete rights of each party.

GROUP SALES VOLUME — The commissionable value of Company products generated by a MEMBER's marketing

organization. Group Sales Volume includes the Personal Sales Volume of the subject MEMBER and is used for rank qualification only.

MEMBER — Any person or business entity that has submitted a complete Company MEMBER Agreement, has been accepted by Company and is authorized to merchandise Company products, sponsor others, and to receive compensation in accordance with the requirements of the Sales Compensation Plan. A MEMBER's relationship to Company is governed by the MEMBER Agreement, which is a fully enforceable contract. A MEMBER is a fully Independent Contractor.

MEMBER TRAINING MANUAL — A selection of Company training materials and business support literature that each new MEMBER has the option to purchase. Any starter kit material is sold to MEMBERS at the Company's cost.

IMMEDIATE HOUSEHOLD — Heads of household and dependent family members residing in the same house, including fiancés.

INDEPENDENT CONTRACTOR — Any MEMBER who merchandises the Company products in accordance with the Marketing and Compensation Plan and according to his or her own methods and abilities, and who is subject to the Company's oversight only as to the Company Policies and Procedures, MEMBER Agreement and the Compensation Plan.

INVOLUNTARY CANCELLATION — The termination of a MEMBER's Agreement and Company business that is initiated by Company.

LEVEL — The layers of downline MEMBERS in a particular MEMBER's marketing organization. This term refers to the relationship of a MEMBER relative to a particular upline MEMBER, determined by the number of MEMBERS between them who are related by sponsorship. For example: if A sponsors B, who sponsors C, who sponsors D, who sponsors E, then F is on A's fourth level.

LIFE PARTNERS—Two consenting adults residing in the same residence in a long-term committed relationship outside the boundaries of conventional marriage.

MARKETING ORGANIZATION — All levels of MEMBERS below a particular MEMBER.

OFFICIAL COMPANY MATERIAL — Literature, audio or videotapes and other materials developed, printed, published or distributed by Company to MEMBERS.

ORDER ASSURANCE PROGRAM ("OAP")--- An optional program where MEMBERS are encouraged to place their qualifying orders within 30 days of their join date. If MEMBERS have an OAP profile in place and their cumulative personal orders combined with any Customer orders do not equal or exceed the OAP BV number, then the company will either charge them the difference based on a 70% BV ratio to dollars (and put that amount on a Gift Card that is sent to them electronically) or ship

them a predetermined order based on the Member's preference in their profile.

OVERRIDE — Compensation paid by Company to Qualified MEMBERS based on the Bonus Volume of products sold by that MEMBER's personal group as set forth in the Marketing and Compensation Plan.

PERSONAL PRODUCTION — Selling product to an end consumer for personal use.

POLICIES AND PROCEDURES — The policies governing how a MEMBER is to conduct his or her business with Company its affiliates, MEMBERS and Customers as set forth in this document.

PREFERRED CUSTOMER (PC) — A customer who has not completed a Company MEMBER Agreement, however purchases products directly from Company.

RANK — The "title" that a MEMBER has achieved pursuant to the Company Marketing and Compensation Plan.

RECRUIT — For purposes of Company's Conflict of Interest Policy (Section 3.6), the term "recruit" means to solicit, attempt to enroll, encourage, or attempt to influence in any way, either directly or through a third party, another Company MEMBER or Direct Customer to enroll or participate in another marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the MEMBER's actions are in response to an inquiry made by another MEMBER or Direct Customer.

RESALABLE — Goods and sales aids shall be deemed "resalable" if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) the product and packaging are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full MEMBER or Direct Customer price; 4) products are returned to Company within 60 days from the date of purchase; 5) the product expiration date has not elapsed; and 6) the product contains current Company labeling. Any merchandise that is clearly identified at the time of sale as non-returnable, discontinued, part of a special promotion including show specials or as a seasonal item shall not be resalable.

RETAIL CUSTOMER — An individual who purchases Company products directly from a MEMBER.

RETAIL SALES COMMISSION — The difference between the discounted price of products and the retail price a MEMBER receives for products when they are resold.

SALES AIDS — Any material used in the merchandising of products to enroll prospective MEMBERS which makes reference to Company, its affiliated companies, the products, the Marketing and Compensation Plan or the trade names or logo. All Sales Aids must be approved by Company.

SEVENTY PERCENT RULE — The Company has a strict policy prohibiting MEMBERS from stockpiling products. The Company Marketing and Compensation Plan is based on sales to the ultimate Retail Consumer. In order to qualify for overrides and bonuses, a MEMBER must certify that at least 70 percent (70%) of all products previously purchased have been used or sold. Company recognizes that MEMBERS may wish to purchase products in reasonable amounts for their own personal consumption, Retail Sales Customers and support of their personal organization. For purposes of this rule, a sale may include a purchase for personal or family use. However, the Company strictly prohibits the purchase of products in unreasonable amounts solely for the purpose of qualification or advancement in the Company Sales Compensation Plan.

SPONSOR — A MEMBER who enrolls another MEMBER into the program. The sponsoring MEMBER then takes responsibility for the training and success of the new MEMBER. In the event that the original Sponsor resigns or otherwise fails to remain active, the next level active Member in the organization shall become the successor sponsor.

SUGGESTED RETAIL PRICE (SRP) — The price at which the Company suggests MEMBERS sell a particular product or service to Retail Customers. Notwithstanding the SRP, MEMBERS are always free to sell Company products or services at any reasonable price they choose.

UPLINE — This term refers to the MEMBER or MEMBERS above a particular MEMBER in a sponsorship line up to the Company. Conversely stated, it is the line of Sponsorship that links any particular MEMBER to the Company.

VOLUNTARY CANCELLATION — The termination of a MEMBER or Customer Agreement instituted by the MEMBER or Customer who elects to discontinue his or her affiliation with Company (other than as a direct or Retail Customer) for any reason other than a termination instituted by Company for breaching the Agreement.