

PureWorks, LC

STATEMENT OF POLICIES *and* **PROCEDURES**

SECTION 1 — CORPORATE MISSION STATEMENT

PureWorks is dedicated to helping individuals lead a safer, healthier, and more financially secure life. Our products are designed to help people protect themselves and their loved ones from the harmful effects of bacteria and viruses, thereby allowing them to live healthier, safer and more productive lives. At the same time, we seek to provide individuals with a unique opportunity to increase their personal freedom and prosperity.

SECTION 2 — INTRODUCTION

2.1 - Policies and Compensation Plan Incorporated into Distributor Agreement

These Policies and Procedures, in their present form and as amended at the sole discretion of PureWorks, LC (hereafter “PureWorks” or the “Company”), are incorporated into, and form an integral part of, the PureWorks Distributor Agreement. Throughout these Policies, when the term “Agreement” is used, it collectively refers to the Distributor Agreement, these Policies and Procedures, the PureWorks Marketing and Compensation Plan, and the PureWorks Business Entity Registration Form (if applicable). These documents are incorporated by reference into the PureWorks Distributor Agreement (all in their current form and as amended by PureWorks). It is the responsibility of each Distributor to read, understand, adhere to, and ensure that he or she is aware of and operating under the most current version of these Policies and Procedures. When sponsoring a new Distributor, it is the responsibility of the Sponsor to provide the most current version of these Policies and Procedures and the PureWorks Marketing and Compensation Plan to the applicant prior to his or her execution of the Distributor Agreement.

2.2 - Purpose of Policies

PureWorks is a direct sales company that markets personal care products through Independent Distributors. It is important to understand that your success and the success of your fellow Distributors is dependent upon the integrity of the men and women who market our products. To clearly define the relationship that exists between Distributors and PureWorks, and to explicitly set a standard for acceptable business conduct, PureWorks has established the Agreement.

PureWorks Distributors are required to comply with all of the Terms and Conditions set forth in the Agreement which PureWorks may amend at its sole discretion from time to time, as well as all federal, state, territorial, and local laws governing their PureWorks distributorship and their conduct. Because you may be unfamiliar with many of these standards of practice, it is very important that you read and abide by the Agreement. Please review the information in this manual carefully. It explains and governs the relationship between you, as an independent contractor and the Company. If you have any questions regarding any policy or rule, do not hesitate to seek an answer from your Sponsor or PureWorks.

2.3 - Changes to the Agreement

Because federal, state, territorial and local laws, as well as the business environment, periodically change, PureWorks reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Distributor Agreement, a Distributor agrees to abide by all amendments or modifications that PureWorks elects to make. Amendments shall be effective upon notice to all Distributors that the Agreement has been modified. Notification of amendments shall be published in official PureWorks materials. The Company shall provide or make available to all Distributors a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company’s official web site; (2) electronic mail (e-mail); (3) fax-on-demand; (4) voice mail system broadcast; (5) inclusion in Company

periodicals; (6) inclusion in product orders or bonus checks; or (7) special mailings. The continuation of a Distributor's PureWorks distributorship or a Distributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

2.4 - Delays

PureWorks shall not be responsible for delays or failures in performance of its obligations when performance is made commercially impracticable due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, riot, war, fire, death, curtailment of a party's source of supply, or government decrees or orders.

2.5 - Policies and Provisions Severable

If any provision of the Agreement, in its current form or as may be amended, is found to be invalid, or unenforceable for any reason, only the invalid portion(s) of the provision shall be severed and the remaining terms and provisions shall remain in full force and effect and shall be construed as if such invalid, or unenforceable provision never comprised a part of the Agreement.

2.6 - Waiver

The Company never gives up its right to insist on compliance with the Agreement and with the applicable laws governing the conduct of a Distributor or a distributorship. No failure of PureWorks to exercise any right or power under the Agreement or to insist upon strict compliance by a Distributor 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 PureWorks' right to demand exact compliance with the Agreement. Waiver by PureWorks can be effected only in writing by an authorized officer of the Company. PureWorks' waiver of any particular breach by a Distributor, or PureWorks' waiver of any particular provision of the Distributor Agreement or these Policies and Procedures, shall not affect or impair PureWorks' rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other Distributor. Nor shall any delay or omission by PureWorks to exercise any right arising from a breach affect or impair PureWorks' rights as to that or any subsequent breach.

The existence of any claim or cause of action of a Distributor against PureWorks shall not constitute a defense to PureWorks' enforcement of any term or provision of the Agreement.

SECTION 3 — BECOMING A DISTRIBUTOR

3.1 - Requirements to Become a Distributor

To become a PureWorks Distributor, each applicant must:

- a) Be of the age of majority in his or her state of residence;
- b) Reside in the United States or U.S. Territories;
- c) Have a valid Social Security or Federal Tax ID number;
- d) Purchase a PureWorks Starter Kit (not applicable in North Dakota); and
- e) Submit a properly completed (originals only - no copies) and signed Distributor Agreement to PureWorks.

The company reserves the right to reject any new Distributor applications or applications for renewal.

3.2 - New Distributor Registration

New Distributors may be enrolled online at PureWorks' official website or at the Sponsor's replicated PureWorks website. In addition, the Sponsor or applicant may forward a hard copy of the Distributor Agreement and payment for the Starter Kit to the Company by regular mail or fax. If the Distributor Agreement is submitted by fax, the Starter Kit payment must be made by credit card.

3.3 - Distributor Benefits

Once a Distributor Agreement has been accepted by PureWorks, the benefits of the Marketing and Compensation Plan and the Distributor Agreement are available to the new Distributor. These benefits include the right to:

- a) Purchase PureWorks products at the Distributor price;
- b) Retail PureWorks products and profit from these sales;
- c) Participate in the PureWorks Marketing and Compensation Plan (receive bonuses and commissions, if eligible);
- d) Sponsor other individuals as Preferred Customers or Distributors into the PureWorks opportunity and thereby, build a marketing organization and progress through the PureWorks Marketing and Compensation Plan;
- e) Receive periodic PureWorks literature and other PureWorks communications;
- f) Participate in PureWorks-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- g) Participate in promotional and incentive contests and programs sponsored by PureWorks for its Distributors.

3.4 - Renewal of Your PureWorks Distributorship

The term of the Distributor Agreement is one year from the date of its acceptance by PureWorks. Distributors must renew their Distributor Agreement each year by paying an annual renewal fee of \$25.00 on or before the anniversary date of their Distributor Agreement. If the

renewal fee is not paid within 30 days after the expiration of the current term of the Distributor Agreement, the Distributor Agreement will be canceled. Distributors may elect to utilize the Automatic Renewal Program (“ARP”). Under the ARP, the renewal fee may be:

- a) deducted from the Distributor’s bonus check for the anniversary month of the Distributor Agreement; or
- b) charged to the Distributor’s credit card if the Distributor has not accrued sufficient bonuses or commissions to cover the amount of the renewal fee.

SECTION 4 — OPERATING A PUREWORKS DISTRIBUTORSHIP

4.1 - Adherence to the PureWorks Marketing and Compensation Plan

Distributors must adhere to the terms of the PureWorks Marketing and Compensation Plan as set forth in official PureWorks literature. Distributors shall not offer the PureWorks opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official PureWorks literature. Distributors shall not require or encourage other current or prospective Preferred Customers or Distributors to participate in PureWorks in any manner that varies from the program as set forth in official PureWorks literature. Distributors shall not require or encourage other current or prospective Preferred Customers or Distributors to execute any agreement or contract other than official PureWorks agreements and contracts in order to become a PureWorks Distributor. Similarly, Distributors shall not require or encourage other current or prospective Preferred Customers or Distributors to make any purchase from, or payment to, any individual or other entity to participate in the PureWorks Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in official PureWorks literature.

4.2 - Advertising

4.2.1 - In General

All Distributors shall safeguard and promote the good reputation of PureWorks and its products. The marketing and promotion of PureWorks, the PureWorks opportunity, the Marketing and Compensation Plan, and PureWorks products shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

To promote both the products and the tremendous opportunity PureWorks offers, Distributors must use the sales aids and support materials produced by PureWorks. The rationale behind this requirement is simple. PureWorks has carefully designed its products, product labels, Marketing and Compensation Plan, and promotional materials to ensure that each aspect of PureWorks is fair, truthful, substantiated, and complies with the vast and complex legal requirements of federal and state laws. If PureWorks Distributors were allowed to develop their own sales aids and promotional materials (which includes Internet advertising), notwithstanding their integrity and good intentions, the likelihood that they would unintentionally violate any number of statutes or regulations affecting a PureWorks distributorship is almost certain. These violations, although they may be relatively few in number, would jeopardize the PureWorks opportunity for all Distributors. Accordingly, Distributors must not produce their own literature, advertisements, sales aids and promotional materials, or Internet web pages.

4.2.2 - Spamming and Unsolicited Faxes

Except as provided in this section, Distributors may not use or transmit unsolicited faxes, mass e-mail distribution, unsolicited e-mail, or “spamming” relative to the operation of their PureWorks distributorships. The terms “unsolicited faxes” and “unsolicited e-mail” mean the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting PureWorks, its products, its compensation plan or any

other aspect of the company which is transmitted to any person, except that these terms do not include a fax or e-mail: (a) to any person with that person's prior express invitation or permission; or (b) to any person with whom the Distributor has an established business or personal relationship. The term "established business or personal relationship" means a prior or existing relationship formed by a voluntary two-way communication between a Distributor and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding products offered by such Distributor; or (b) a personal or familial relationship, which relationship has not been previously terminated by either party.

4.2.3 - Telemarketing

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have "do not call" regulations as part of their telemarketing laws. While you may not consider yourself a "telemarketer" in the traditional sense of the word, these regulations broadly define "telemarketer" and "telemarketing" so that your inadvertent action of calling someone whose telephone number is listed on the federal "do not call" registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties (up to \$11,000.00 per violation).

Therefore, Distributors must not engage in telemarketing relative to the operation of their PureWorks distributorships. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a PureWorks product, or to recruit them for the PureWorks opportunity. "Cold calls" made to prospective customers or Distributors that promote either PureWorks' products or the PureWorks opportunity constitute telemarketing and are prohibited.

Notwithstanding the foregoing, a Distributor may place telephone call(s) to a prospective customer or Distributor (a "prospect") under the following limited situations:

- a) If the Distributor has an established business relationship with the prospect. An "established business relationship" is a relationship between a Distributor and a prospect based on:
 - i. The prospect's purchase, rental, or lease of goods or services from the Distributor within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect's purchase of a product or services; or
 - ii. A financial transaction between the prospect and the Distributor within the eighteen (18) months immediately preceding the date of such a call.
- b) The prospect's personal inquiry or application regarding a product or service offered by the Distributor within the three (3) months immediately preceding the date of such a call.

- c) If the Distributor receives written and signed permission from the prospect authorizing the Distributor to call. The authorization must specify the telephone number(s) which the Distributor is authorized to call.
- d) Distributors may call family members, personal friends, and acquaintances. An “acquaintance” is someone with whom a Distributor has at least a recent first-hand relationship (*i.e.*, the Distributor recently personally met him or her). Bear in mind, however, that if a Distributor makes a habit of “card collecting” from everyone he or she meets and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if Distributors engage in calling “acquaintances”, the Distributor must make such calls on an occasional basis only and not as a routine practice.

In addition, Distributors shall not use automatic telephone dialing systems relative to the operation of their PureWorks distributorships. The term “automatic telephone dialing system” means equipment that has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers.

4.2.4 - Distributor Web Sites

If a Distributor desires to utilize an Internet web page or website to promote his or her PureWorks distributorship, the Distributor may do so through the Company’s replicated website program only. This program permits Distributors to advertise on the Internet and to choose from a variety of home page designs that can be personalized with a short message from the Distributor and his or her contact information. These websites seamlessly link directly to the official PureWorks website giving the Distributor a professional and Company-approved presence on the Internet. No Distributor may independently design a website that uses the names, logos, or product descriptions of PureWorks or otherwise promotes (directly or indirectly) PureWorks products or the PureWorks opportunity. Nor may a Distributor use “blind” ads on the Internet that make product or income claims which are ultimately associated with PureWorks products, the PureWorks opportunity, or the PureWorks Marketing and Compensation Plan. The use of any other Internet website or web page (including without limitation auction sites such as eBay) to in any way promote the sale of PureWorks products, the PureWorks opportunity, or the Marketing and Compensation Plan is a breach of the Agreement and may result in any of the disciplinary sanctions set forth in Section 9.1.

4.2.5 - Domain Names and E-Mail Addresses

Distributors may not use or attempt to register any of PureWorks’ trade names, trademarks, service names, service marks, product names, the Company’s name, or any derivative thereof, for any Internet domain name. Nor may Distributors incorporate or attempt to incorporate any of PureWorks’ trade names, trademarks, service names, service marks, product names, the Company’s name, or any derivative thereof, into any electronic mail address.

4.2.6 - Trademarks and Copyrights

PureWorks will not allow the use of its trade names, trademarks, designs, or symbols by

any person, including a PureWorks Distributor, without its prior, written permission. Distributors may not produce for sale or distribution any recorded company events and speeches without written permission from PureWorks nor may Distributors reproduce for sale or for personal use any recording of company-produced audio or video tape presentations.

The name of PureWorks and other names as may be adopted by PureWorks are proprietary trade names, trademarks and service marks of PureWorks. As such, these marks are of great value to PureWorks and are supplied to Distributors for their use only in an expressly authorized manner. Use of PureWorks name on any item not produced by the company is prohibited except as follows:

Distributor's Name
Independent PureWorks Distributor

All Distributors may list themselves as an "Independent PureWorks Distributor" in the white or yellow pages of the telephone directory under their own name. No Distributor may place telephone directory display ads using PureWorks' name or logo. Distributors may not answer the telephone by saying "PureWorks", "PureWorks Incorporated", or in any other manner that would lead the caller to believe that he or she has reached corporate offices of PureWorks.

4.2.7 - Media and Media Inquiries

Distributors must not attempt to respond to media inquiries regarding PureWorks, its products, or their independent PureWorks distributorship. All inquiries by any type of media must be immediately referred to the Public Relations Department. This policy is designed to assure that accurate and consistent information is provided to the public as well as a proper public image.

4.3 - Bonus Buying

"Bonus buying" includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of a Distributor Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Distributor or Preferred Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Distributors or Preferred Customers ("phantoms"); or (d) the use of a credit card by or on behalf of a Distributor or Preferred Customer when the Distributor or Preferred Customer is not the account holder of such credit card. Bonus buying constitutes a material breach of these Policies and Procedures, and is strictly and absolutely prohibited.

4.4 - Business Entities

A corporation, partnership or trust (collectively referred to in this section as a "Business Entity") may apply to be a PureWorks Distributor by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the "Entity Documents") to PureWorks, along with a properly completed Business Entity Registration Form. If a Distributor enrolls online, the Entity Documents and Business Entity

Registration Form must be submitted to PureWorks within 30 days of online enrollment. A PureWorks distributorship 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. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Distributor Agreement. The Business Entity Registration Form must be signed by all of the shareholders, members, partners or trustees. Signatories of the Business Entity Registration Form are jointly and severally liable for any indebtedness or other obligation to PureWorks.

4.5 - Changes to Your PureWorks Distributorship

4.5.1 - In General

Each Distributor must immediately notify PureWorks of all changes to the information contained on his or her Distributor Agreement. Distributors may modify their existing Distributor Agreement (i.e., change Social Security number to Federal I.D. number, or change the form of ownership from an individual proprietorship to a business entity owned by the Distributor) by submitting a written request, a properly executed Distributor Agreement, and appropriate supporting documentation to the Distributor Service Department. Changes shall be processed only once per year. All changes must be submitted by November 30 to become effective on January 1 of the following year.

4.5.2 - Addition of Co-Applicants

When adding a co-applicant (either an individual or a business entity) to an existing PureWorks distributorship, the Company requires both a written request as well as a properly completed Distributor Agreement containing the applicant and co-applicant's Social Security Numbers and signatures. To prevent the circumvention of Section 4.25 (regarding transfers and assignments of PureWorks distributorships), the original applicant must remain as a party to the original Distributor Agreement. If the original Distributor wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her PureWorks distributorship in accordance with Section 4.25. If this process is not followed, the distributorship shall be canceled upon the withdrawal of the original Distributor. All bonus and commission checks will be sent to the address of record of the original Distributor. Please note that the modifications permitted within the scope of this paragraph *do not* include a change of sponsorship. Changes of sponsorship are addressed in Section 4.5.3, below. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Distributor Agreement. PureWorks may, at its discretion, require notarized documents before implementing any changes to a PureWorks distributorship. Please allow thirty (30) days after the receipt of the request by PureWorks for processing.

4.5.3 - Change of Sponsor

To protect the integrity of all marketing organizations and safeguard the hard work of all Distributors, PureWorks strongly discourages changes in sponsorship. Maintaining the integrity of sponsorship is critical for the success of every Distributor and marketing organization. Accordingly, the transfer of a PureWorks distributorship from one Sponsor to another is rarely permitted.

Requests for change of sponsorship must be submitted in writing to the Distributor

Services Department, and must include the reason for the transfer. Transfers will only be considered in the following two (2) circumstances:

- (a) In cases involving fraudulent inducement or unethical sponsoring, a Distributor 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.
- (b) The Distributor seeking to transfer submits a properly completed and fully executed Sponsorship Transfer Form which includes the written approval of his or her immediate nine (9) upline Distributors. Photocopied or facsimile signatures are not acceptable. All Distributor signatures must be notarized. The Distributor who requests the transfer must submit a fee of \$50.00 for administrative charges and data processing. If the transferring Distributor also wants to move any of the Distributors in his or her marketing organization, each downline Distributor must also obtain a properly completed Sponsorship Transfer Form and return it to PureWorks with the \$50.00 change fee (i.e., the transferring Distributor and each Distributor in his or her marketing organization multiplied by \$50.00 is the cost to move a PureWorks distributorship.) Downline Distributors will not be moved with the transferring Distributor unless all of the requirements of this paragraph are met. Transferring Distributors must allow thirty (30) days after the receipt of the Sponsorship Transfer Forms by PureWorks for processing and **verifying** change requests.

4.5.4 - Cancellation and Re-application

A Distributor may legitimately change organizations by voluntarily canceling his or her PureWorks distributorship and remaining inactive (*i.e.*, no purchases of PureWorks products for resale, no sales of PureWorks products, no sponsoring, no attendance at any PureWorks functions, participation in any other form of Distributor activity, or operation of any other PureWorks distributorship) for six (6) full calendar months. Following the six month period of inactivity, the former Distributor may reapply under a new Sponsor. PureWorks will consider waiving the six month waiting period under exceptional circumstances. Such requests for waiver must be submitted to PureWorks in writing.

4.6 - Unauthorized Claims and Actions

4.6.1 - Indemnification

A Distributor is fully responsible for all of his or her verbal and written statements made regarding PureWorks products and/or the Marketing and Compensation Plan which are not expressly contained in official PureWorks materials. Distributors agree to indemnify PureWorks and PureWorks' directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by PureWorks as a result of the Distributor's unauthorized representations or actions. This provision shall survive the termination of the Distributor Agreement.

4.6.2 - Product Claims

PureWorks products are regulated by the Food and Drug Administration and the Environmental Protection Agency. Therefore, all claims made by Distributors regarding any PureWorks product must be in compliance with the applicable regulations of the FDA and EPA. In addition, no claims (which include personal testimonials) as to therapeutic, curative or beneficial properties of any products offered by PureWorks may be made except those contained in official PureWorks literature. PureWorks publishes a listing of permitted claims that Distributors may make. This listing is available at the PureWorks official website and may be published in hard copy format for Distributor reference. In particular, no Distributor may make any claim that PureWorks products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases except as set forth in official PureWorks literature. Such statements can be perceived as medical or drug claims. Not only are such claims violative of PureWorks policies, but they potentially violate federal and state laws and regulations, including the federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act.

4.6.3 - Income Claims

In their enthusiasm to sponsor prospective Distributors, some Distributors are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new Distributors may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At PureWorks, we firmly believe that the PureWorks income potential is great enough to be highly attractive, without reporting the earnings of others.

Moreover, the Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Distributors may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact PureWorks as well as the Distributor making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because PureWorks Distributors do not have the data necessary to comply with the legal requirements for making income claims, a Distributor, when presenting or discussing the PureWorks opportunity or Marketing and Compensation Plan to a prospective Distributor, may not make income projections, income claims, or disclose his or her PureWorks income (including the showing of checks, copies of checks, bank statements, or tax records). Hypothetical income examples that are used to explain the operation of the Marketing and Compensation Plan, and which are based solely on mathematical projections, may be made to prospective Distributors, so long as the Distributor who uses such hypothetical examples 1) makes clear to the prospective Distributor(s) that such earnings are hypothetical; and 2) provides each prospective Distributor with a current copy of PureWorks' official income disclosure statement.

4.7 - Commercial Outlets

PureWorks strongly encourages the retailing and selling of its products through person to person contact. In an effort to reinforce this method of marketing and to help provide a standard of fairness for its Distributor base, Distributors may not display or sell PureWorks products or

literature in any retail or service establishment, except for the offices of professional health care providers such as physicians, dentists and chiropractors. Any professional health care provider who wishes to display and/or sell PureWorks products from his or her office must request written authorization from PureWorks before displaying or selling PureWorks products at his or her office.

PureWorks will permit Distributors to solicit and make commercial sales upon prior written approval from the Company. For the purposes of these Policies and Procedures, the term “commercial sale” means the sale of:

- a) PureWorks products that equal or exceed \$1,000 or more in a single order; and
- b) To a third party who intends to resell the products to an end consumer.

4.7.1 - Trade Shows, Expositions and Other Sales Forums

Distributors may display and/or sell PureWorks products at trade shows and professional expositions. Before submitting a deposit to the event promoter, Distributors must contact the Distributor Services Department in writing for conditional approval, as PureWorks’ policy is to authorize only one PureWorks distributorship per event. Final approval will be granted to the first Distributor who submits an official advertisement of the event, a copy of the contract signed by both the Distributor and the event official, and a receipt indicating that a deposit for the booth has been paid. Approval is given only for the event specified. Any requests to participate in future events must again be submitted to the Distributor Services Department. PureWorks further reserves the right to refuse authorization to participate at any function which it does not deem a suitable forum for the promotion of its products or the PureWorks opportunity. Approval will not be given for swap meets, garage sales, flea markets or farmer’s markets as these events are not conducive to the professional image PureWorks wishes to portray.

4.8 - Conflicts of Interest

4.8.1 - Nonsolicitation

PureWorks Distributors may participate in other direct selling or network marketing or multilevel marketing ventures (collectively “network marketing”), and Distributors may engage in selling activities related to non-PureWorks products and services if they desire to do so. However, if a Distributor elects to participate in another network marketing opportunity, in order to avoid conflicts of interest and loyalties, Distributors are prohibited from Unauthorized Recruiting, which includes the following:

- a) During the term of this agreement, any actual or attempted recruitment or enrollment of PureWorks Preferred Customers or sponsorship of Distributors for other network 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 network marketing business ventures to any PureWorks Preferred Customer or Distributor, or implicitly or explicitly encouraging any PureWorks Preferred Customer or Distributor to join other business ventures. Because there is an extreme likelihood that conflicts will arise if a Distributor

operates two network marketing programs, it is the Distributor's responsibility to first determine whether a prospect is a PureWorks Preferred Customer or Distributor before recruiting, enrolling or sponsoring the prospect for another network business venture.

- b) For a period of six months following the cancellation of a Distributor's Agreement, the former Distributor may not recruit any PureWorks Distributor or Preferred Customer for another network marketing program.
- c) Producing or offering any literature, tapes or promotional material of any nature for another network marketing business which is used by the Distributor or any third person to recruit PureWorks Preferred Customers or Distributors for that business venture;
- d) Selling, offering to sell, or promoting any competing non-PureWorks products to PureWorks Preferred Customers or Distributors. Any product in the same generic category as a PureWorks product is deemed to be competing; e.g., any hard surface disinfectant or anti-bacterial soap, lotion, foam, spray, or body wash is in the same generic category as PureWorks' products, and is therefore a competing product, regardless of differences in cost, quality, or active ingredients.
- e) Offering PureWorks products, or promoting the PureWorks Marketing and Compensation Plan, in conjunction with any non-PureWorks products, services, business plan, opportunity, or incentive; or
- f) Offering any non-PureWorks products, services, business plan, opportunity, or incentive at any PureWorks meeting, seminar, launch, convention, or other PureWorks function, or immediately following such event.

4.8.2 - Downline Activity Reports

Downline Activity Reports are available for Distributor access and viewing at PureWorks' official web site and/or at the personal replicating PureWorks website of each Distributor. Access to online Downline Activity Reports is password protected. **All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to PureWorks.** Downline Activity Reports are provided to Distributors in strictest confidence and are made available to Distributors for the sole purpose of assisting Distributors in working with their respective Downline Organizations in the development of their PureWorks distributorships. Distributors should use their Downline Activity Reports to assist, motivate, and train their downline Distributors. The Distributor and PureWorks agree that, but for this agreement of confidentiality and nondisclosure, PureWorks would not provide Downline Activity Reports to the Distributor. A Distributor shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- a) Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- b) Directly or indirectly disclose his or her password or other user access code to his or her Downline Activity Report;
- c) Use the information to compete with PureWorks or for any purpose other than promoting his or her PureWorks distributorship;
- d) Recruit or solicit any Distributor or Preferred Customer of PureWorks listed on any report, or in any manner attempt to influence or induce any Distributor or Preferred Customer of PureWorks, to alter their business relationship with PureWorks; or
- e) Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Downline Activity Report.

Upon demand by the Company, any current or former Distributor will return the original and all copies of Downline Activity Reports to the Company.

4.9 - Cross-Sponsoring

Actual or attempted cross sponsoring is strictly prohibited. "Cross sponsoring" is defined as the sponsoring or enrollment of an individual who or entity that already has a current Preferred Customer or Distributor Agreement on file with PureWorks, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited. Distributors shall not demean, discredit or defame other PureWorks Distributors in an attempt to entice another Distributor to become part of the first Distributor's marketing organization. This policy shall not prohibit the transfer of a PureWorks distributorship in accordance with Section 4.25.

4.10 - Errors or Questions

If a Distributor has questions about or believes any errors have been made regarding commissions, bonuses, Downline Activity Reports, or charges, the Distributor must notify PureWorks in writing within 60 days of the date of the purported error or incident in question. PureWorks will not be responsible for any errors, omissions or problems not reported to it within 60 days.

4.11 - Excess Inventory Purchases Prohibited

Distributors are not required to carry inventory of products or sales aids. Distributors who do so may find making retail sales and building a marketing organization somewhat easier because of the decreased response time in fulfilling customer orders or in meeting a new Distributor's needs. Each Distributor must make his or her own decision with regard to these matters. To ensure that Distributors are not encumbered with excess inventory that they are unable to sell, such inventory may be returned to PureWorks upon the Distributor's cancellation pursuant to the terms of Section 8.2.

PureWorks strictly prohibits the purchase of products in unreasonable amounts primarily for the purpose of qualifying for commissions, bonuses or advancement in the Marketing and Compensation Plan. Distributors may not purchase more inventory than they can reasonably resell or consume in a month nor may they encourage others to do so. Distributors are prohibited from purchasing more than \$1,000 in products per month unless they certify to PureWorks that they have pending retail orders in excess of that amount or provide PureWorks with other written reason why such a purchase is necessary.

4.12 - Governmental Approval or Endorsement

Neither federal nor state regulatory agencies or officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Distributors shall not represent or imply that PureWorks or its Marketing and Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

4.13 - Holding Applications or Orders

Distributors must not manipulate enrollments of new applicants and purchases of products. All Distributor Agreements and product orders must be sent to PureWorks within 72 hours from the time they are signed by a Distributor or placed by a customer.

4.14 – Identification

All Distributors are required to provide their Social Security Number or a Federal Employer Identification Number to PureWorks on the Distributor Agreement. Upon enrollment, the Company will provide a unique Distributor Identification Number to the Distributor by which he or she will be identified. This number will be used to place orders, and track commissions and bonuses.

4.15 - Income Taxes

Every year, PureWorks will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who falls into one of the following categories:

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

Each Distributor is responsible for paying local, state, and federal taxes on any income generated as an Independent Distributor. If a PureWorks distributorship is tax exempt, the Federal tax identification number must be provided to PureWorks.

4.16 - Independent Contractor Status

Distributors are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between PureWorks and its Distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Distributor. Distributors shall not be treated as an employee for his or her services or for Federal or State tax purposes. All Distributors are responsible for paying local, state, and federal

taxes due from all compensation earned as a Distributor of the Company. The Distributor has no authority (expressed or implied), to bind the company to any obligation. Each Distributor shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Distributor Agreement, these Policies and Procedures, and applicable laws.

4.17 – Insurance

You may wish to arrange insurance coverage for your PureWorks distributorship. Neither your homeowner’s insurance policy nor your automobile insurance policy covers business-related injuries, or the theft of or damage to inventory or business equipment. Contact your insurance agent to make certain that your property is protected. This can often be accomplished with a simple “Business Pursuit” endorsement attached to your present homeowner’s and automobile policies.

4.18 - International Marketing

Because of critical legal and tax considerations, including: compliance with foreign laws regarding the approval, registration or licensure of products; regulations regarding ingredients, labeling, and packaging; cautionary statements; protection of intellectual property; compliance with customs, tax, and immigration laws; compliance with direct selling laws; product and income representations; and literature content and language requirements, PureWorks must limit the resale of PureWorks products, and the presentation of the PureWorks opportunity to prospective customers and Distributors located within the United States and U.S. Territories. Moreover, allowing a few Distributors to conduct business in markets not yet opened by PureWorks would violate the concept of affording every Distributor the equal opportunity to expand internationally.

Accordingly, Distributors are authorized to sell PureWorks products, and enroll Preferred Customers or sponsor Distributors only in the countries in which PureWorks is authorized to conduct business, as announced in official company literature. In addition, no Distributor may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll potential customers or sponsor Distributors; or (c) conduct any other activity for the purpose of selling PureWorks products, establishing a marketing organization, or promoting the PureWorks opportunity.

4.19 - Adherence to Laws and Ordinances

4.19.1 - Local Ordinances

Many cities and counties have laws regulating certain home-based businesses. In most cases these ordinances are not applicable to Distributors because of the nature of their businesses. However, Distributors must obey those laws that do apply to them. If a city or county official tells a Distributor that an ordinance applies to him or her, the Distributor shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of PureWorks. In most cases there are exceptions to the ordinance that may apply to PureWorks Distributors.

4.19.2 - Compliance With Federal, State, and Local Laws

Distributors shall comply with all federal, state, and local laws and regulations in the conduct of their PureWorks distributorships.

4.20 – Minors

A person who is recognized as a minor in his/her state of residence may not be a PureWorks Distributor. Distributors shall not sponsor, enroll or recruit minors into the PureWorks program.

4.21 - One PureWorks Distributorship Per Individual and Per Household

An individual may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one PureWorks distributorship. No individual may have, operate or receive compensation from more than one PureWorks distributorship. Individuals of the same family unit may not enter into or have an interest in more than one PureWorks distributorship. A “family unit” is defined as spouses and dependent children living at or doing business at the same address.

In order to maintain the integrity of the PureWorks Marketing and Compensation Plan, husbands and wives or common-law couples (collectively “spouses”) who wish to become PureWorks Distributors must be jointly sponsored as one PureWorks distributorship. Spouses, regardless of whether one or both are signatories to the Distributor Agreement, may not own or operate any other PureWorks distributorship, either individually or jointly, nor may they participate directly or indirectly (as a shareholder, partner, trustee, trust beneficiary, or any other legal or equitable ownership) in the ownership or management of another PureWorks distributorship in any form.

An exception to the one distributorship per individual rule will be considered on a case by case basis if two Distributors marry or in cases of a Distributor receiving an interest in another PureWorks distributorship through inheritance. Requests for exceptions to policy must be submitted in writing to the Compliance Department.

4.21.1 - Actions of Household Members or Affiliated Individuals

If any member of a Distributor’s immediate household engages in any activity which, if performed by the Distributor, would violate any provision of the Agreement, such activity will be deemed a violation by the Distributor and PureWorks may take disciplinary action pursuant to the Statement of Policies against the Distributor. Similarly, 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 PureWorks may take disciplinary action against the entity.

4.22 - Re-packaging and Re-labeling Prohibited

Distributors may not re-package, re-label, refill or alter the labels on any PureWorks products, information, materials or programs in any way. PureWorks products must be sold in their original containers only. Such re-labeling or repackaging would likely violate federal and

state laws, which could result in severe criminal penalties. You should also be aware that civil liability can arise when, as a consequence of the repackaging or re-labeling of products, the persons using the products suffer any type of injury or their property is damaged.

4.23 - Requests for Records

Any request from a Distributor for copies of invoices, applications, downline activity reports, or other records will require a fee of \$1.00 per page per copy. This fee covers the expense of mailing and time required to research files and make copies of the records.

4.24 - Roll-up of Marketing Organization

When a vacancy occurs in a Marketing Organization due to the termination of a PureWorks distributorship, each Distributor in the first level immediately below the terminated Distributor on the date of the cancellation will be moved to the first level (“front line”) of the terminated Distributor’s Sponsor. For example, if A sponsors B, and B sponsors C1, C2, and C3, if B terminates her distributorship, C1, C2, and C3 will “roll-up” to A and become part of A’s first level.

4.25 - Sale, Transfer or Assignment of PureWorks Distributorship

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

- a) Protection of the existing line of sponsorship must always be maintained so that the PureWorks distributorship continues to be operated in that line of sponsorship.
- b) The buyer or transferee must be (or must become) a qualified PureWorks Distributor. If the buyer is an active PureWorks Distributor, he or she must first terminate his or her PureWorks distributorship simultaneously with the purchase, transfer, assignment or acquisition of any interest in the new PureWorks distributorship.
- c) Before the sale, transfer or assignment can be finalized and approved by PureWorks, any debt obligations the selling Distributor has with PureWorks must be satisfied.
- d) The selling Distributor must be in good standing and not in violation of any of the terms of the Agreement in order to be eligible to sell, transfer or assign a PureWorks distributorship.

Upon complete execution of the purchase and sale agreement, and the new Distributor Agreement, the parties must submit copies of the same to the Compliance Department for review and approval. PureWorks reserves the right to request additional documentation that may be necessary to analyze the transaction between the buyer and seller. The Compliance Department

will, in its sole and absolute discretion, approve or deny the sale, transfer or assignment within 30 days after its receipt of all necessary documents from the parties.

If the parties fail to obtain PureWorks' approval for the transaction, the transfer shall be voidable at PureWorks' option. The purchaser of the existing distributorship will assume the obligations and position of the selling Distributor. A Distributor who sells his or her distributorship shall not be eligible to re-apply as a PureWorks Distributor for a period of at least six full calendar months after the sale. No changes in line of sponsorship can result from the sale or transfer of a PureWorks distributorship.

4.26 - Separation of a PureWorks Distributorship

PureWorks Distributors sometimes operate their PureWorks distributorships as husband-wife partnerships, regular partnerships, corporations, or trusts. At such time as a marriage may end in divorce or a corporation, partnership or trust (the latter three entities are collectively referred to herein as "entities") may dissolve, arrangements must be made to assure that any separation or division of the PureWorks distributorship is accomplished so as not to adversely affect the interests and income of other PureWorks distributorships up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other Distributors and the Company, PureWorks will involuntarily terminate the Distributor Agreement and roll-up their entire organization pursuant to Section 4.24.

During the pendency of a divorce or entity dissolution, the parties must adopt one of the following methods of operation:

- a) One of the parties may, with consent of the other(s), operate the PureWorks distributorship pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize PureWorks to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.
- b) The parties may continue to operate the PureWorks distributorship jointly on a "business-as-usual" basis, whereupon all compensation paid by PureWorks will be paid in the joint names of the Distributors or in the name of the entity to be divided as the parties may independently agree between themselves.

Under no circumstances will the PureWorks distributorship or Downline Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will PureWorks split commission and bonus checks between divorcing spouses or members of dissolving entities. PureWorks will recognize only one Downline Organization and will issue only one commission check per PureWorks distributorship per commission cycle. Commission checks shall always be issued to the same individual or entity. In the event that parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the distributorship, the Distributor Agreement shall be involuntarily canceled.

If a former spouse or a former entity affiliate has completely relinquished all rights in their original PureWorks distributorship, they are thereafter free to enroll under any Sponsor of their choosing, so long as they meet the waiting period requirements set forth in Section 4.5.4. In such case, however, the former spouse or partner shall have no rights to any Distributors in their former organization or to any former retail customer. They must develop the new distributorship in the same manner as would any other new Distributor.

4.27 - Sponsoring

All active Distributors in good standing have the right to sponsor others into PureWorks. Each prospective Preferred Customer or Distributor has the ultimate right to choose his or her own Sponsor. If two Distributors claim to be the Sponsor of the same new Distributor or Preferred Customer, the Company shall regard the first application received by the Company as controlling.

4.28 - Stacking

The term “stacking” includes: (a) the failure to transmit to PureWorks, or the holding of an Independent Distributor Agreement in excess of two business days after its execution; (b) the placement or manipulation of Distributor Agreements for the purpose of maximizing compensation pursuant to PureWorks’ Marketing and Compensation Plan; or (c) providing financial assistance to new Distributors for the purpose of maximizing compensation pursuant to PureWorks’ Marketing and Compensation Plan. Stacking constitutes a material breach of these Policies and Procedures, and is strictly and absolutely prohibited.

4.29 – Succession

Upon the death or incapacitation of a Distributor, his or her PureWorks distributorship may be passed to his or her heirs. Appropriate legal documentation must be submitted to the Company to ensure the transfer is proper. Accordingly, a Distributor should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a PureWorks distributorship is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses and commissions of the deceased Distributor’s marketing organization provided the following qualifications are met. The successor(s) must:

- a) Execute a new Distributor Agreement;
- b) Comply with terms and provisions of the Agreement; and
- c) Meet all of the qualifications for the deceased Distributor’s status.

Bonus and commission checks of a PureWorks distributorship transferred pursuant to this section will be paid in a single check jointly to the devisees. The devisees must provide PureWorks with an “address of record” to which all bonus and commission checks will be sent. If the distributorship is bequeathed to joint devisees, they must form a business entity and acquire a federal taxpayer Identification number. PureWorks will issue all bonus and commission checks and one IRS Form 1099 to the business entity.

4.29.1 - Transfer Upon Death of a Distributor

To effect a testamentary transfer of a PureWorks distributorship, the successor must provide the following to PureWorks: (1) an original death certificate; (2) a notarized copy of the will or other instrument establishing the successor's right to the PureWorks distributorship; and (3) a completed and executed Distributor Agreement.

4.29.2 - Transfer Upon Incapacitation of a Distributor

To effect a transfer of a PureWorks distributorship because of incapacity, the successor must provide the following to PureWorks: (1) a notarized copy of an appointment as trustee; (2) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the PureWorks distributorship; and (3) a completed Distributor Agreement executed by the trustee.

SECTION 5 - RESPONSIBILITIES OF DISTRIBUTORS

5.1 - Change of Address or Telephone

To ensure timely delivery of products, support materials, and commission checks, it is critically important that the PureWorks' files are current. Street addresses are required for shipping since couriers cannot deliver to a post office box. Distributors planning to move should send their new address and telephone numbers to PureWorks' Corporate Offices to the attention of the Distributor Services Department. To guarantee proper delivery, two weeks advance notice must be provided to PureWorks on all changes. *Special Note:* If you are presently on the Auto-Ship program, you must submit a new Auto-Ship Agreement. If more than one change of address notice or Auto-Ship Agreement has been submitted to PureWorks, the most recent one will supersede previous notices or Agreements. Please allow thirty (30) days after the receipt of the notice or Agreement by PureWorks for processing.

5.2 - Continuing Development Obligations

5.2.1 - Ongoing Training

Any Distributor who sponsors another Distributor into PureWorks must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her PureWorks distributorship. Distributors must have ongoing contact and communication with the Distributors in their Downline Organizations. Examples of such contact and communication may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Distributors to PureWorks meetings, training sessions, and other functions. Upline Distributors are also responsible to motivate and train new Distributors in PureWorks product knowledge, effective sales techniques, the PureWorks Marketing and Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Distributors must not, however, violate Section 4.2 (regarding the development of Distributor-produced sales aids and promotional materials).

Distributors must monitor the Distributors in their Downline Organizations to ensure that downline Distributors do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every Distributor should be able to provide documented evidence to PureWorks of his or her ongoing fulfillment of the responsibilities of a Sponsor.

5.2.2 - Increased Training Responsibilities

As Distributors progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the PureWorks program. They will be called upon to share this knowledge with lesser experienced Distributors within their organization.

5.2.3 - Ongoing Sales Responsibilities

Regardless of their level of achievement, Distributors have an ongoing obligation to continue to personally promote sales through the generation of new customers and through servicing their existing customers.

5.3 – Nondisparagement

PureWorks wants to provide its independent Distributors with the best products, compensation plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to the Distributor Services Department. Remember, to best serve you, we must hear from you! While PureWorks welcomes constructive input, negative comments and remarks made in the field by Distributors about the Company, its products, or compensation plan serve no purpose other than to sour the enthusiasm of other PureWorks Distributors. For this reason, and to set the proper example for their downline, Distributors must not disparage PureWorks, other PureWorks Distributors, PureWorks' products, the Marketing and Compensation plan, or PureWorks' directors, officers, or employees. The disparagement of PureWorks, other PureWorks Distributors, PureWorks' products, the Marketing and Compensation plan, or PureWorks' directors, officers, or employees constitutes a material breach of these Policies and Procedures.

5.4 - Providing Documentation to Applicants

Distributors must provide the most current version of the Policies and Procedures and the Compensation Plan to individuals whom they are sponsoring to become Distributors before the applicant signs a Distributor Agreement. Additional copies of Policies and Procedures can be acquired from PureWorks.

5.5 - Reporting Policy Violations

Distributors observing a Policy violation by another Distributor should submit a written report of the violation directly to the attention of the PureWorks Compliance Department. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

SECTION 6 — SALES REQUIREMENTS

6.1 - Product Sales

The PureWorks Marketing and Compensation Plan is based upon the sale of PureWorks products to end consumers. Distributors must fulfill personal and Downline Organization retail sales requirements (as well as meet other 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 for Distributors to be eligible for commissions:

- a) Distributors must satisfy the Personal Sales Volume and Group Sales Volume requirements to fulfill the requirements associated with their rank as specified in the PureWorks Marketing and Compensation Plan. “Personal Sales Volume” includes purchases made by the Distributor and purchases made by the Distributor’s personally enrolled Preferred Customers. Group Sales Volume shall include the total Sales Volume of all Distributors in his or her marketing organization, but shall not include the Distributor’s Personal Sales Volume.
- b) At least 70% of a Distributor’s total monthly Personal Sales Volume must be sold to personal retail customers or Preferred Customers. By reordering, a Distributor certifies that he or she has complied with this policy.
- c) Distributors must develop or service at least five customers every month. These customers can be either personal retail customers and/or Preferred Customers.

6.2 - No Price or Territory Restrictions

Distributors are *not* required to sell PureWorks products at the suggested retail prices set by PureWorks on the PureWorks Price List. Distributors may sell PureWorks products at any price they choose. There are no exclusive territories granted to anyone. No franchise fees are required.

6.3 - Sales Receipts

All Distributors must provide their retail customers with two copies of an official PureWorks sales receipt at the time of the sale. These receipts set forth the Customer Satisfaction Guarantee for PureWorks products, as well as any consumer protection rights afforded by federal or state law. Distributors must maintain all retail sales receipts for a period of two years and furnish them to PureWorks at the company’s request. Records documenting the purchases of Distributors’ Preferred Customers will be maintained by PureWorks.

If a sale qualifies as a “door-to-door” sale, Distributors must ensure that the following information is contained on each sales receipt:

- (1) The date of the transaction;
- (2) The date (not earlier than the third business day following the date of the transaction) by which the buyer may give notice of cancellation; and

(3) Name and address of the selling Distributor;

Remember that customers must receive two copies of the sales receipt. In addition, Distributors who make “door-to-door” sales must orally inform the buyer of his or her cancellation rights.

For the purposes of these Policies and Procedures, a “door-to-door” sale means a sale or contract for sale of consumer goods or services with a purchase price of \$25 or more, in which the buyer’s agreement or offer to purchase is made at a place other than the place of business of the seller (*e.g.*, sales at the buyer’s residence or at facilities rented on a temporary or short-term basis, such as hotel or motel rooms, convention centers, fairgrounds and restaurants, or sales at the buyer’s workplace). The phrase “consumer goods or services” is defined as “goods or services purchased, leased, or rented primarily for personal, family, or household purposes, including courses of instruction or training regardless of the purpose for which they are taken.” Thus, whether a transaction involves “consumer goods or services” will depend upon the ultimate purposes of the purchaser.

“Door-to-door” sales do not include a transaction:

- (1) Made pursuant to prior negotiations in the course of a visit by the buyer to a retail business establishment having a fixed permanent location where the products are exhibited for sale on a continuing basis; or
- (2) Conducted and consummated entirely by mail or telephone, and without any other contact between the buyer and the seller or its representative prior to delivery of the products or performance of the services.

SECTION 7 — BONUSES AND COMMISSIONS

7.1 - Bonus and Commission Qualifications

A Distributor must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Distributor complies with the terms of the Agreement, PureWorks shall pay commissions to such Distributor in accordance with the Marketing and Compensation plan. The minimum amount for which PureWorks will issue a check is \$10.00. If a Distributor's bonuses and commissions do not equal or exceed \$10.00, the Company will accrue the commissions and bonuses until they total \$10.00. A check will be issued once \$10.00 has been accrued.

7.2 - Adjustment to Bonuses and Commissions

Distributors receive bonuses and commissions based on the actual sales of products to end consumers. When a product is returned to PureWorks for a refund or is repurchased by the Company, the bonuses and commissions attributable to the returned or repurchased product(s) will be deducted, in the month in which the refund is given, and continuing every pay period thereafter until the commission is recovered, from the Distributors who received bonuses or commissions on the sales of the refunded products. In the event that any such Distributor terminates his or her distributorship, and the amounts of the bonuses or commissions attributable to the returned products have not yet been fully recovered by the company, the remainder of the outstanding balance may be set off against any amounts owed to the terminated Distributor pursuant to Section 8.2.

7.3 - Unclaimed Commissions and Credits

Distributors must deposit or cash commission and bonus checks within **six months** from their date of issuance. A check that remains uncashed after six months will be void. After a check has been voided, PureWorks will attempt to notify a Distributor who has an uncashed check by sending a monthly written notice to his or her last known address identifying the amount of the check and advising that the Distributor can request that the check be reissued. There shall be a \$15.00 charge for reissuing a check, and a \$10.00 fee for each notice that is sent to the Distributor. These charges shall be deducted from the balance owed to the Distributor.

Customers or Distributors who have a credit on account must use their credit within six months from the date on which the credit was issued. If credits have not been used within six months, PureWorks shall attempt to notify the Distributor or customer on a monthly basis, by sending written notice to the last known address, advising the Distributor or customer of the credit. There shall be a \$10.00 charge for each attempted notification. This charge shall be deducted from the Distributor's or customer's credit on account.

7.4 - Online and Telephonic Activity Reports

All information provided by PureWorks in online or telephonic activity reports, including but not limited to personal and group sales volume (or any part thereof), downline sponsoring activity, and accrued bonuses or commissions is believed to be accurate and reliable. Nevertheless, due to various factors including the inherent possibility of human and mechanical

error; the accuracy, completeness, and timeliness of orders; denial of credit card and electronic check payments; returned products; credit card and electronic check charge-backs; the information is not guaranteed by PureWorks or any persons creating or transmitting the information.

ALL SUCH INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESS OR IMPLIED, OR REPRESENTATIONS OF ANY KIND WHATSOEVER. IN PARTICULAR BUT WITHOUT LIMITATION THERE SHALL BE NO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, OR NON-INFRINGEMENT.

TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, PUREWORKS AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY DISTRIBUTOR OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF OR ACCESS TO PGV INFORMATION (INCLUDING BUT NOT LIMITED TO LOST PROFITS, BONUSES, OR COMMISSIONS, LOSS OF OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF PUREWORKS OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. TO THE FULLEST EXTENT PERMITTED BY LAW, PUREWORKS OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE NO RESPONSIBILITY OR LIABILITY TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY OR OTHER THEORY WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO.

Access to and use of PureWorks' online and telephone activity reporting services and the information acquired thereby is at your own risk. All such information is provided to you "as is". If you are dissatisfied with the accuracy, completeness, or quality of the information, your sole and exclusive remedy is to discontinue use of and access to PureWorks' online and telephone activity reporting services and the information.

SECTION 8 — PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE

8.1 - Product Guarantee

PureWorks offers a 100% 30-day money-back satisfaction guarantee (less shipping charges) to all Preferred Customers, retail customers, and Distributors.

8.1.1 - Returns by Retail Customers

PureWorks offers, through its Distributors, a 100% 30-day money-back guarantee to all retail customers. Every Distributor is bound to honor the retail customer guarantee. If, for any reason, a retail customer is dissatisfied with any PureWorks product, the retail customer may return the unused portion of the product to the Distributor from whom it was purchased, within 30 days, for a replacement, exchange or a full refund of the purchase price (less shipping costs).

The following provision sets forth the minimum refund permitted by law to a retail customer:

A retail customer who makes a purchase of \$25.00 or more has three business days (72 hours) after the sale or execution of a contract to cancel the order and receive a full refund consistent with the cancellation notice on the order form. When a Distributor makes a sale or takes an order from a retail customer who cancels or requests a refund within the 72 hour period, the Distributor must promptly refund the customer's money as long as the products are returned to the Distributor in substantially as good condition as when received. Additionally, Distributors must orally inform customers of their right to rescind a purchase or an order within 72 hours, and ensure that the date of the order or purchase is entered on the order form. All retail customers must be provided with two copies of an official PureWorks sales receipt at the time of the sale. The back of the receipt provides the customer with written notice of his or her rights to cancel the sales agreement.

8.1.2 - Returns by Preferred Customers

PureWorks offers Preferred Customers an unconditional 30-day money-back guarantee. If, for any reason, a Preferred Customer is dissatisfied with any PureWorks product, he or she may return that product to the Company within 30-days, for a replacement, exchange or a full refund of the purchase price (less shipping).

8.1.3 - Returns by Distributors (Products Purchased for Personal Use)

If a Distributor is unsatisfied with any PureWorks product purchased for personal use, the Company offers a 100% 30-day money-back guarantee (less shipping). This guarantee is limited to \$100.00. If a Distributor wishes to return merchandise exceeding \$100.00, in any 12 month period, the return will be deemed an inventory repurchase and the Company shall repurchase the inventory pursuant to the terms of Section 8.2, and the Distributor's Agreement shall be canceled.

8.1.4 - Returns by Distributors (Products Returned by Personal Retail Customers)

If a personal retail customer returns a product to the Distributor from whom it was purchased, the Distributor may return it to the company for an exchange or refund (less shipping). All products returned by personal retail customers must be returned to the Company within 10 days from the date on which it was returned to the Distributor along with the sales receipt which the Distributor gave to the retail customer.

8.2 - Return of Inventory and Sales Aids by Distributors

Upon cancellation of a Distributor's Agreement, the Distributor may return inventory and sales aids for a refund if he or she is unable to sell or use the merchandise. A Distributor may only return products and sales aids purchased by him or her that are in resalable condition. Upon receipt of the products and sales aids, the Distributor will be reimbursed 90% of the net cost of the original purchase price(s), less shipping charges. If the purchases were made through a credit card, the refund will be credited back to the same account. The company shall deduct from the reimbursement paid to the Distributor any commissions, bonuses, rebates or other incentives received by the Distributor which were associated with the merchandise that is returned.

8.2.1 - Montana Residents

A Montana resident may cancel his or her Distributor Agreement within 15 days from the date of enrollment, and may return his or her starter kit for a full refund within such time period.

8.3 - Procedures for All Returns

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

- a) All merchandise must be returned by the Distributor or customer who purchased it directly from PureWorks.
- b) All products to be returned must have a Return Authorization Number which will be obtained by calling the Distributor Services Department. This Return Authorization Number must be written on each carton returned.
- c) The return is accompanied by:
 - i. a completed and signed Consumer Return Form;
 - ii. a copy of the original dated retail sales receipt; and
 - iii. the unused portion of the product in its original container.
- d) Proper shipping carton(s) and packing materials are to be used in packaging the product(s) being returned for replacement, and the best and most economical means of shipping is suggested. All returns must be shipped to PureWorks shipping pre-paid. PureWorks does not accept shipping-collect packages. The risk of loss in shipping for returned product shall be on the Distributor. If returned product is not received by the Company's Distribution Center, it is the responsibility of the Distributor to trace the shipment.
- e) If a Distributor is returning merchandise to PureWorks that was returned to him or her by a personal retail customer, the product must be received by PureWorks within ten (10) days from the date on which the retail customer returned the merchandise to the Distributor, and must be accompanied by the sales receipt the Distributor gave to the customer at the time of the sale.

No refund or replacement of product will be made if the conditions of these rules are not met.

SECTION 9 — DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

9.1 - Disciplinary Sanctions

Violation of the Agreement, these Policies and Procedures, or any illegal, fraudulent, deceptive or unethical business conduct by a Distributor may result, at PureWorks' discretion, in one or more of the following corrective measures:

- a) Issuance of a written warning or admonition;
- b) Requiring the Distributor to take immediate corrective measures;
- c) Imposition of a fine, which may be withheld from bonus and commission checks;
- d) Loss of rights to one or more bonus and commission checks;
- e) PureWorks may withhold from a Distributor all or part of the Distributor's bonuses and commissions during the period that PureWorks is investigating any conduct allegedly violative of the Agreement. If a Distributor's PureWorks distributorship is canceled for disciplinary reasons, the Distributor will not be entitled to recover any commissions withheld during the investigation period;
- f) Suspension of the individual's Distributor Agreement for one or more pay periods;
- g) Involuntary termination of the offender's Distributor Agreement;
- h) Any other measure expressly allowed within any provision of the Agreement or which PureWorks deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Distributor's policy violation or contractual breach;
- i) In situations deemed appropriate by PureWorks, the Company may institute legal proceedings for monetary and/or equitable relief.

9.2 - Grievances and Complaints

When a Distributor has a grievance or complaint with another Distributor regarding any practice or conduct in relationship to their respective PureWorks distributorships, the complaining Distributor should first report the problem to his or her Sponsor, who should review the matter and try to resolve it with the other party's Sponsor. If the matter cannot be resolved, it must be reported in writing to the Distributor Services Department at the Company.

9.3 – Arbitration

Any controversy or claim 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, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. If a Distributor files a claim or counterclaim against PureWorks, he or she may only do so on an individual basis and not with any other Distributor or as part of a class or consolidated action. Distributors waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in Salt Lake City, Utah, unless the laws of the state in which a Distributor resides expressly require the application of its laws, in which case the arbitration shall be held in the capital of that

state. The parties shall be entitled to all discovery rights allowed under the Federal Rules of Civil Procedure. No other aspects of the Federal Rules of Civil Procedure shall be applicable to an arbitration. 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 selling industry, selected from the panel which 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 arbitrate shall survive any termination or expiration of the Agreement.

Nothing in these Policies and Procedures shall prevent PureWorks 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 PureWorks' 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.

9.4 - Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside in Salt Lake County, State of Utah unless the laws of the state in which a Distributor resides expressly require the application of its laws, in which case that state's law shall govern all issues related to jurisdiction and venue. The Federal Arbitration Act shall govern all matters relating to arbitration. The laws of the State of Utah shall govern all other matters relating to or arising from the Agreement unless the laws of the state in which a Distributor resides expressly require the application of its laws.

SECTION 10 — ORDERING

10.1 - Preferred Customers

Distributors are encouraged to promote PureWorks' Preferred Customer Program to their retail customers. Under the Preferred Customer Program, an individual may sign up to have a pre-selected package of PureWorks products delivered to his or her home automatically each month. Not only does this take all of the hassles out of buying, it also allows the customer to take advantage of the discounted Preferred Customer Prices.

10.2 - Purchasing PureWorks Products

Each Distributor should purchase his or her products directly from PureWorks. If a Distributor purchases products from another Distributor or any other source, the purchasing Distributor will not receive the Personal Sales Volume that is associated with that purchase.

10.3 - General Order Policies

On mail orders with invalid or incorrect payment, PureWorks will attempt to contact the Distributor by phone, and/or mail to try to obtain another payment. If these attempts are unsuccessful after five working days the order will be returned unprocessed. No C.O.D. orders will be accepted. PureWorks maintains no minimum order requirements. Orders for products and sales aids may be combined.

10.4 - Shipping and Back Order Policy

PureWorks will normally ship products within five (5) business days from the date on which it receives an order. PureWorks will expeditiously ship any part of an order currently in stock. If, however, an ordered item is out-of-stock, it will be placed on back order and sent when PureWorks receives additional inventory. Distributors will be charged and given Personal Sales Volume on back ordered items unless notified on the invoice that the product has been discontinued. PureWorks will notify Distributors and customers if items are back-ordered and are not expected to ship within 30 days from the date of the order. An estimated shipping date will also be provided. Back ordered items may be canceled upon a customer's or Distributor's request. Customers and Distributors may request a refund, credit on account, or replacement merchandise for canceled back orders. If a refund is requested, the Distributor's Personal Sales Volume will be decreased by the amount of the refund in the month in which the refund is issued.

10.5 - Confirmation of Order

A Distributor and/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 PureWorks of any shipping discrepancy or damage within thirty days of shipment will cancel a Distributor's right to request a correction.

SECTION 11 — PAYMENT AND SHIPPING

11.1 – Deposits

No monies should be paid to or accepted by a Distributor for a sale to a personal retail customer except at the time of product delivery. Distributors should not accept monies from retail customers to be held for deposit in anticipation of future deliveries.

11.2 - Insufficient Funds

It is the responsibility of each Distributor to ensure that there are sufficient funds or credit available in his or her account to cover his or her monthly Autoship order (if applicable). PureWorks will not contact Distributors in regard to orders canceled due to insufficient funds or credit. This may result in a Distributor's failure to meet his or her Personal Sales Volume requirements for the month.

11.3 - Returned Checks

All checks returned by a Distributor's bank for insufficient funds will be re-submitted for payment. A \$25.00 returned check fee will be charged to the account of the Distributor. After receiving a returned check from a customer or a Distributor, *all future orders must be paid by Credit Card, money order or cashier's check. Any outstanding balance owed to PureWorks by a Distributor for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.*

11.4 - Restrictions on Third Party Use of Credit Cards and Checking Account Access

Distributors shall not permit other Distributors or customers to use his or her credit card, or permit debits to their checking accounts, to enroll or to make purchases from the company.

11.5 - Sales Taxes

It is the policy of PureWorks to comply with all applicable laws relating to the collection and remittance of sales and use taxes. It is the responsibility of each Distributor to ensure that he or she complies in full with all applicable laws relating to the collection and remittance of sales and use taxes. In certain taxing jurisdictions, PureWorks has been able to take certain actions that are designed to relieve Distributors operating in those jurisdictions of certain administrative burdens associated with making retail sales. PureWorks has summarized, for your reference, certain information relating to sales and use taxes, and has made a copy of this summary available on its website. It is the responsibility of each Distributor to know what products are taxable and at what rate. If you have questions regarding taxability and rates, contact your state or local department of revenue for assistance.

SECTION 12 — INACTIVITY AND CANCELLATION

12.1 - Effect of Cancellation

So long as a Distributor remains active and complies with the terms of the Distributor Agreement and these Policies and Procedures, PureWorks shall pay commissions to such Distributor in accordance with the Marketing and Compensation Plan. A Distributor's bonuses and commissions constitute the entire consideration for the Distributor's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following a Distributor's non-renewal of his or her Distributor Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Distributor Agreement (all of these methods are collectively referred to as "cancellation"), the former Distributor 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. **A Distributor whose PureWorks distributorship is canceled will permanently lose all rights as a Distributor. This includes the right to sell PureWorks products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Distributor's former downline sales organization. In the event of cancellation, Distributors agree to waive all rights they may have, including but not limited to property rights, to their former downline organization and to any bonuses, commissions, or other remuneration derived from the sales and other activities from his or her former downline organization.**

The former Distributor shall not hold himself or herself out as a PureWorks Distributor and shall not have the right to sell PureWorks products or services. A Distributor whose Distributor Agreement is canceled shall receive commissions and bonuses only for the last full pay period he or she was active prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

12.2 - Cancellation Due to Inactivity

It is the Distributor's responsibility to lead his or her marketing organization with the proper example in personal production of sales to end consumers. Without this proper example and leadership, the Distributor will lose his or her right to receive commissions from sales generated through his or her marketing organization. Therefore, Distributors who personally produce less than \$64.00 of Personal Sales Volume for any pay period will not receive a commission for the sales generated through their marketing organization for that pay period. If a Distributor has not fulfilled his or her personal sales requirements for a period of three consecutive calendar months (and thus become "inactive"), his or her Distributor Agreement shall be canceled for inactivity. The cancellation will become effective on the day following the last day of the third month of inactivity. Written confirmation of the cancellation will not be provided by PureWorks.

12.3 - Reclassification Following Cancellation Due to Inactivity

If a Distributor's Agreement is cancelled for inactivity, the Distributor will be reclassified as a Preferred Customer and shall be entitled to purchase products at Preferred Customer

(Distributor) prices. If the former Distributor was on the Autoship program, his or her Autoship orders shall continue to be sent on a monthly basis. Notice of the change in status will be sent via e-mail, in the next product order, via regular mail). If the former Distributor wishes to again become a Distributor, he or she must submit written notice to the Company that they wish to reinstate their Distributor rights. Such notice must be submitted to the Company no later than three months following the cancellation for inactivity. A former Distributor who reinstates as a Distributor within the 3 month period need not purchase a new Starter Kit.

12.4 - Involuntary Cancellation

A Distributor's violation of any of the terms of the Agreement, including any amendments that may be made by PureWorks in its sole discretion, may result in any of the sanctions listed in Section 9.1, including the involuntary cancellation of his or her Distributor Agreement. Cancellation shall be effective on the date on which written notice is mailed, return receipt requested, to the Distributor's last known address, or when the Distributor receives actual notice of cancellation, whichever occurs first.

PureWorks expressly reserves the right to terminate all Distributor Agreements upon thirty (30) days written notice in the event that it elects to: (1) cease business operations; (2) dissolve as a corporate entity; or (3) terminate distribution of its products via direct selling.

12.5 - Voluntary Cancellation

A participant in this network marketing plan has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to PureWorks at its principal business address. The written notice must include the Distributor's or Preferred Customer's signature, printed name, address, and Distributor or Preferred Customer I.D. Number.

12.5.1 - Non-renewal

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

SECTION 13 — DEFINITIONS

Active Distributor — A Distributor who satisfies the minimum Personal Sales Volume requirements, as set forth in the PureWorks Marketing and Compensation Plan, to ensure that he or she is eligible to receive bonuses and commissions.

Active Rank — The term “active rank” refers the current rank of a Distributor, as determined by the PureWorks Marketing and Compensation Plan, for any calendar month volume period. To be considered “active” relative to a particular rank, a Distributor must meet the criteria set forth in the PureWorks Marketing and Compensation Plan for his or her respective rank. (*See the definition of “Rank” below.*)

Agreement — The contract between the Company and each Distributor includes the Distributor Agreement, the PureWorks Policies and Procedures, the PureWorks Marketing and Compensation Plan, and the Business Entity Registration Form (where appropriate), all in their current form and as amended by PureWorks in its sole discretion. These documents are collectively referred to as the “Agreement.”

Cancel — The termination of a Distributor’s PureWorks distributorship. Cancellation may be either voluntary, involuntary, through non-renewal or inactivity.

Commissionable Products/Services — All PureWorks products on which commissions and bonuses are paid. Starter Kits and sales aids are not commissionable products.

Company — The term “Company” as it is used throughout the Agreement means PureWorks, LC.

Distributor Agreement – The Company’s Independent Distributor Application and Agreement.

Downline — *See “Marketing Organization” below.*

Downline Activity Report — A monthly report generated by PureWorks that provides critical data relating to the identities of Distributors, sales information, and enrollment activity of each Distributor’s Marketing Organization. This report contains confidential and trade secret information which is proprietary to PureWorks.

Downline Leg — Each one of the individuals enrolled immediately underneath you and their respective marketing organizations represents one “leg” in your marketing organization.

End Consumer — A person who purchases PureWorks products for the purpose of personally consuming them rather than for resale to someone else.

Group Sales Volume — The commissionable value of PureWorks products generated by a Distributor’s Marketing Organization. Group Sales Volume does not include the Personal Sales Volume of the subject Distributor. (Distributor Kits and sales aids have no Sales Volume.)

Immediate Household — Heads of household and dependent family members residing in the same house.

Level — The layers of downline Preferred Customers and Distributors in a particular Distributor's Marketing Organization. This term refers to the relationship of a Distributor relative to a particular upline Distributor, determined by the number of Distributors between them who are related by sponsorship. For example, if A sponsors B, who sponsors C, who sponsors D, who sponsors E, then E is on A's fourth level.

Marketing Organization — The Preferred Customers and Distributors sponsored below a particular Distributor.

Official PureWorks Material — Literature, audio or video tapes, files, and other materials developed, printed, published and distributed by PureWorks to Distributors.

Personal Production — Moving product to an end consumer for personal use.

Personal Sales Volume (PSV) — The commissionable value of products sold in a calendar month: (1) by the Company to a Distributor; and (2) by the Company to the Distributor's personally enrolled Preferred Customers.

Placement — A Distributor under whom a Sponsor places a new Distributor, as described on the Distributor Agreement.

Preferred Customer — A customer who has executed a PureWorks Preferred Customer/AutoShip Agreement and who agrees to purchase a minimum of \$64.00 of PureWorks products each calendar month.

Rank — The "title" that a Distributor has achieved pursuant to the PureWorks Marketing and Compensation Plan.

Recruit — For purposes of PureWorks' Conflict of Interest Policy (Section 4.8), the term "recruit" means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly or through a third party, another PureWorks Distributor or Preferred Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Distributor's actions are in response to an inquiry made by another Distributor or Preferred Customer.

Resalable — Products 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 price; 4) products are returned to PureWorks within one year from the date of purchase; 5) the product

expiration date has not elapsed; and 6) the product contains current PureWorks labeling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resalable.

Retail Customer — An individual who purchases PureWorks products from a Distributor.

Retail Profit — The difference between the wholesale price of products and the retail price a Distributor receives for products when they are resold.

Roll-Up — The method by which a vacancy in a Marketing Organization left by a Distributor whose Distributor Agreement has been canceled is filled.

Sponsor — The Distributor who enrolls a new Distributor, as described on the new Distributor's Distributor Agreement.

Starter Kit — A selection of PureWorks training materials and business support literature that each new Independent Marketing Distributor is required to purchase. The Starter Kit is sold to Distributors at the Company's cost.

Suggested Retail Price (SRP) — The price at which PureWorks suggests Distributors sell a particular product to retail customers. *Notwithstanding the SRP, Distributors are always free to sell PureWorks products at any price they choose.*

Upline — This term refers to the Distributor or Distributors above a particular Distributor in a sponsorship line up to the Company. Conversely stated, it is the line of Sponsors that links any particular Distributor to the Company.

Wholesale Price (Wholesale) — The price of the products that is paid to the Company by Distributors. The wholesale price is also called Distributor Cost. All commissions and bonuses are paid on the wholesale value of PureWorks products.