



POLICIES AND PROCEDURES MANUAL
UNITED STATES
EFFECTIVE: OCTOBER 2016

As an Independent Business Owner (“IBO”) of Cerule®, (hereafter the “Company”), you are required to understand and comply with all rules, regulations, policies, and procedures contained in this IBO Policies & Procedures Manual (the “Policy Manual”) that may be published or disseminated by the Company. The Company reserves the right to amend this Policy Manual by publishing or transmitting amendments as it deems appropriate.

It is the responsibility of each IBO 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 enrolling a new IBO, it is the responsibility of the enroller to provide the most current version of these Policies and Procedures and Pay Plan to the applicant prior to his or her execution of the IBO Application Agreement.

Because federal, state and local laws, as well as the business environment periodically change, the Company reserves the right to amend the Agreement (including, without limitation, the IBO Application Agreement, Terms and Conditions, and Policies and Procedures) and its prices and product offering in its sole and absolute discretion. The Company shall provide or make available to all IBOs a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company’s official website; (2) electronic mail (e-mail); (3) fax-on-demand; (4) voice mail system broadcast; (5) inclusion in the Company periodicals; (6) inclusion in product orders or bonus checks; or (7) special mailings from the Company. The most current and controlling version will be located at www.cerule.com. It is the responsibility of all IBOs to regularly review www.cerule.com for the most recently published amendment(s). Once the amendment(s) are published, the IBO(s) may elect to accept the amendment(s) or reject them. If the IBO rejects them, their Agreement will terminate and will not be renewed. If the IBO continues to purchase or sell Company products, enroll and/or accept rebates, commissions or bonuses from the Company, such actions shall be deemed acceptance of any amendments.

The Company honors all federal, state, and local regulations governing network marketing, and requires every IBO to do the same. It is, therefore, very important that you read and understand the information contained in this Policy Manual. If you have any questions regarding any rule or policy, seek an answer from your enroller, or the Company. The Code of Professional Ethics is included in chapter 13 of this Policy Manual; you should review these materials and make them a part of your planning.

CHAPTER ONE: INDEPENDENT BUSINESS OWNER STATUS

- 1.1 Becoming a IBO. An applicant becomes a IBO of the Company when the following requirements are fulfilled:
- a) The applicant's completed IBO Application Agreement (the "Agreement") and any related documents have been received and accepted by the Company at its corporate office.
 - b) The applicant purchases at Company cost, a IBO Starter Pack, which contains IBO documentation, Company Information and Brochures, which are sales materials (not for resale) This sum is not a service or franchise fee, but rather is strictly to offset costs incurred by the Company for educational and business materials required for a IBO of the Company.
 - c) The Company reserves the right to decline any Agreement for any reason at its sole discretion
- 1.2 **No Purchase Required**
Except as set forth above, no purchase is required to become a IBO.
- 1.3 **IBO Obligations and Rights**
A IBO is authorized to sell the Company's products and services and to participate in the Company's Pay Plan. A IBO may enroll new IBOs into the Company.
- 1.4 **Legal Age**
A IBO shall be of legal age to enter into a binding contract in the state of the IBO's residence.
- 1.5 **Common Address**
No more than three (3) IBOs or Customers may ship product to the same shipping address.
- 1.6 **Married Couples**
Married couples and their dependent children shall share a single IBO entity. IBOs who subsequently marry shall maintain separate IBO status unless one is the direct enroller of the other, in which case their IBO entities may be consolidated. When a couple sharing a IBO entity divorces or separates, the Company will continue to pay commission checks in the same manner as before the divorce or separation until it receives written notice, signed by both parties or issued by a court decree which specifies to whom future commission checks should be paid, provided the couple has complied with the requirements of chapter 5.3, if applicable.
- 1.7 **Simultaneous Interests**
A IBO and spouse and dependents may not have simultaneous beneficial interests in more than one IBO position entity. For example, a shareholder of a corporation that is a IBO may not become an individual IBO.
- 1.8 **Corporations, Partnerships, Limited Liability Companies, and Trusts**
Corporations, Partnerships, Limited Liability Companies, or other forms of business organizations and/or trusts may become a IBO of the Company when the Agreement is accompanied by notarized copies of the following documents within thirty (30) days after the Agreement is accepted; otherwise, the IBO position may go into suspension:
- a) A complete list of all directors, officers, and shareholders involved in a corporation, all general and limited Partners of a Partnership, members of a limited liability company or trustee(s) and beneficiaries of a trust, as applicable;
 - c) A Federal ID number or other identification number which the Company may approve in its sole discretion; and
 - d) Such other documents and information as may be reasonably requested from time to time. Shareholders, directors, officers, partners, members, beneficiaries, and trustees, as applicable, of a IBO entity shall agree to be, and the Company will hold each personally liable to the Company, and be bound by the Agreement and the Policy Manual
- 1.9 **Non-Profit Organizations**
Non-Profit Organizations may become a IBO of the Company when the Agreement is accompanied by notarized copies of the following documents within thirty (30) days after the Agreement is accepted; otherwise, the IBO position may go into suspension:

- a) Articles of incorporation, partnership agreement, trust documents and/or other governing documents, as applicable;
- b) A complete list of all directors and officers involved in the Non-Profit Organization and who is authorized to enter into a contract on behalf of the organization as applicable;
- c) A Federal ID number or other identification number which the Company may approve in its sole discretion;
- d) Verification of 501c (3) status, and
- e) Such other documents and information as may be reasonably requested from time to time.

1.10 Fictitious and/or Assumed Names

A person or entity may not apply as a IBO using a fictitious or assumed name without Company approval, which may be withheld in the Company's sole discretion.

1.11 Independent Contractor Status

A IBO is an independent contractor. A IBO is not a franchisee, joint venture partner, business partner, employee or agent of the Company, and a IBO is prohibited from stating or implying, whether orally, in writing or otherwise. A IBO has no authority to bind the Company to any obligation. The Company is not responsible for payment or co-payment of any employee benefits. A IBO is responsible for liability, health, disability and workmen's compensation insurance. A IBO sets their own hours and determines how to conduct their business, subject to the Agreement and the Policy Manual.

1.12 Taxation

As an independent contractor, a IBO will not be treated as a franchisee, partner, employee, or agent for federal or state tax purposes including, with respect to the Internal Revenue Code, Social Security Act, federal unemployment act, state unemployment acts, or any other federal, state, or local statute, ordinance, rule, or regulation. At the end of each calendar year, the Company will issue to each IBO a IRS Form 1099, or other applicable documentation required by law, for non-employee compensation of a IBO.

1.13 Legal Compliance

A IBO shall comply with all federal, state and local statutes, regulations, and ordinances concerning the operation of IBO's business. A IBO is responsible for IBO's own managerial decisions and expenditures including all estimated income and self-employment taxes.

1.14 IBO Identification Number

A IBO is required by federal law to obtain a Social Security number, Federal I.D. number or other approved government issued identification based on their resident country. IBOs will be assigned a Cerule ID number for purposes of the IBO's business with the Company. This number shall be placed on all orders and correspondence with the Company hereinafter referred to as the IBO Identification Number ("ID") The Company will use this number in all internal IBO transactions. Any penalties or fines that may result from the use of an incorrect tax identification number furnished to the Company will be the responsibility of the IBO.

1.15 No Exclusive Territories

There are no exclusive territories for marketing or enrolling purposes, nor shall any IBO imply or state that a IBO has an exclusive territory. No franchise is granted and there are no exclusive territories for sales or enrolling purposes. No geographical limitations exist on a IBO enrolling within the United States or any country in which the Company is approved to do business. If a IBO desires to conduct business in an authorized country other than the one in which they are a IBO, he/ she must comply with all the applicable laws and regulations for that country.

1.16 Other Products

A IBO agrees that no products except the Company's products shall be sold or shown at any event where the Company's products are sold or shown. During the term of the IBO Agreement, and for a period of six (6) months thereafter, the IBO is prohibited from selling or promoting any competing products or services or marketing programs to any of the Company's Employees, Agents or IBOs, except those personally enrolled by the IBO. Any IBO found in violation of this sub-chapter risks the loss of buying privileges, possible suspension and/or termination of the IBO position and participation in the Company Pay Plan.

- 1.17 **Cross-Group Selling**
Selling to other Company IBOs in order to receive credit for bonuses and advancement is prohibited. The IBO shall obtain all of Company products, literature and materials directly from the Company. Any violation of this rule subjects the IBO to possible suspension and/or termination.
- 1.18 **Contacts**
IBOs are to limit all corporate communication to the office and staff of the Company. No direct contact is to be made with the Company's partners, suppliers, consultants, or hired professionals without the express written approval of the Company.

CHAPTER TWO: TERM AND RENEWAL

- 2.1 **Term**
Subject to the provisions of chapter 4, the Agreement shall have a term beginning on the date of acceptance by the Company and ending one year from the date thereof (the "Anniversary Date")
- 2.2 **Annual Renewal**
A IBO shall renew their IBO's status annually. The annual renewal fee is due on the Anniversary Date and the Company may require that the IBO execute a new Agreement upon renewal. A IBO may elect to have the Agreement automatically renewed by authorizing the Company to debit their checking account or charge their credit card for the renewal fee and their renewal will be confirmed by the Company. A IBO who makes no product purchases in any 90 consecutive day period shall be deactivated and the IBO's name deleted from the mailing list. A IBO not renewing by the renewal date, as provided herein, shall be deemed to have voluntarily terminated their IBO position relationship with the Company and will thereby lose their IBO position, all enroller rights, their position in the Pay Plan, all rights to commissions, bonuses, incentives and the ability to purchase products from the Company at wholesale prices. A IBO who fails to renew his/her IBO status may not reapply under a new enroller for six (6) months after non-renewal.

CHAPTER 3 – RESPONSIBILITIES OF IBOs

- 3.1 **Continuing Development Obligations**
- a) **Ongoing Training**
Successful IBOs who enroll a IBO perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her business. Successful IBOs have ongoing contact and communication with the IBOs in their downline organizations. Successful upline IBOs also motivate and train new IBOs on product knowledge, effective sales techniques, the Pay Plan and compliance with the Company Policies and Procedures. Communication with and the training of downline IBOs must not, however, violate chapter 8 to ensure that downline IBOs make no improper product or business claims, or engage in any illegal or inappropriate conduct. Every IBO should be able to provide documented evidence of his or her ongoing efforts as a mentor and an enroller.
 - b) **Ongoing Sales Responsibilities**
Regardless of their level of achievement, successful IBOs are continually and personally promoting sales through the generation of new customers, through servicing their existing customers and through sales to Retail and Preferred Customers who are not IBOs.
 - c) **Non-Disparagement**
The Company wants to provide its IBOs with the best products, Pay Plan and service in the industry. Accordingly, IBOs constructive criticisms and comments are required. All such comments should not, however, disparage, demean or be negative about the Company, other IBOs, products, the Pay Plan, or directors, officers or employees of the Company.
- 3.2 **Providing Documentation to Applicants**
An enroller must provide the most current version of the Policies and Procedures and the Pay Plan to the individual(s) whom he or she is considering to enroll to become a IBO before such applicant signs a IBO Application Agreement.

3.3 **Reporting Policy Violations**

IBOs who become aware of a policy violation by another IBO should submit a written report of the violation directly to the attention of the Company. Details of the incidents such as dates, number of occurrences, persons involved and any supporting documentation should be included in the report.

3.4 **Company Claims**

No claims may be made or implied that any IBO has advantages with or special privileges with the Company or is in any way exempt from the same obligations and requirements of every other IBO.

3.5 **Change of Address, Telephone, Fax or E-mail**

To ensure timely delivery of products, support materials and commission payments, it is critically important that our files are current. Street addresses are required for shipping since product will not be delivered to a post office box. If a IBO is presently on the AutoShip program, the AutoShip will automatically be updated to the new address. If more than one change of address notice or AutoShip Agreement has been submitted, the most recent one will supersede previous notices or Agreements. Please allow fifteen (15) days after the receipt of the notice or Agreement for processing.

3.6 **Enrolling**

a) **Agreement**

A IBO may enroll other IBOs in the United States and any country in which the Company has opened for business. Enrollers shall ensure that each new IBO has received, had access to, and understands the Company's Agreement, the Policy Manual for the country in which they reside, and the Pay Plan. A IBO will be compensated only for the generation of sales volumes, not for enrolling new IBOs into the program.

b) **Multiple Agreements**

If an applicant submits multiple Agreements that list different enrollers, only the first completed Agreement to be received by the Company will be accepted. The decision of the Company in recognizing the official enroller is final.

c) **Training Requirement**

IBOs are required to assure the adequate training of IBOs they enroll. An enroller shall maintain an ongoing professional leadership association with IBOs and shall fulfill the obligation of performing a bona fide supervisory, distribution and selling function in the sale or delivery of products and services. Upon request, a IBO must be able to provide the Company with evidence of ongoing fulfillment of enroller responsibilities, including training.

d) **Income Claims**

No income projections, including those based solely on mathematical projections or "ideal projections" of the Company Pay Plan may be made to prospective IBOs. A IBO shall not represent income as an indication of the success assured to others, since income success depends upon many variables. Commission checks may not be used as marketing materials. IBO shall not guarantee or estimate compensation, expenses, or deductions attributable to the business to prospects. IBO shall truthfully and fairly describe and present the Pay Plan. No past, potential or actual income claims may be made to prospective IBOs. IBO may not guarantee or promise commissions or estimate expenses to prospects.

3.7 **Conflicts of Interest**

IBOs may participate in other direct selling or network marketing or multilevel marketing ventures and IBOs may engage in selling activities related to non-Cerule products and services if they desire to do so. If a IBO elects to participate in another Network Marketing Venture, in order to avoid conflicts of interest and loyalties, IBOs must adhere to the following:

a) **Non-Solicitation**

During the term of the Agreement, a IBO shall not engage in any actual or attempted recruitment or enrollment of a Cerule IBO for other Network Marketing Ventures, either directly or through a third party. This includes, but is not limited to, presenting or assisting in the presentation of another Network Marketing Venture to any Cerule IBO or Customer, or implicitly or explicitly encouraging any Cerule IBO or Customer to join another Network Marketing Venture.

b) For a period of 90 days following the Cancellation of a IBO's Agreement, the former IBO is strictly prohibited from recruiting any Cerule IBO, Preferred Customer or Direct Retail Customer for another Network Marketing Venture. By signing the IBO Application Agreement, each IBO acknowledges and agrees that the

Company is trying to protect legitimate business interests by this prohibition and such prohibition is reasonable in its scope and duration.

- c) During the term of the Agreement, a IBO may not:
- Produce, offer or transfer any literature, tapes, CDs, DVDs or other promotional material of any nature for another Network Marketing Venture which is used by the IBO or any third person to recruit Cerule IBOs or Direct Retail Customers for that Network Marketing Venture;
 - Sell, offer to sell, or promote any competing non-Cerule products or services to Cerule IBOs, Preferred Customers or Direct Retail Customers (any product in the same generic product category as a Cerule product is deemed to be competing (e.g., any nutritional supplement is in the same generic category as Cerule's nutritional supplements, and is therefore a competing product, regardless of differences in cost, quality, ingredients or nutrient content);
 - Offer Cerule products or promote the Cerule Pay Plan in conjunction with any non-Cerule products, services, business plan, opportunity or incentive; or
 - Offer any non-Cerule products, services, business plan, opportunity or incentive at any Cerule meeting, seminar, launch, convention or other Cerule function, or immediately preceding and or following such event.
- e) **Targeting Other Direct Sellers**
Cerule does not encourage IBOs to target the sales force of another direct sales company to sell Cerule products or to become IBOs for Cerule, nor does Cerule encourage IBOs to solicit or entice members of the sales force of another direct sales company to violate the terms of their contract with such other company.
- f) **Cross-Enrolling**
Actual or attempted cross-enroll is strictly prohibited. "Cross-Enrolling" is defined as the enrollment of an individual or entity which already has a current customer or IBO Application and Agreement on file with Cerule, or which has had such an agreement within the preceding six (6) calendar months, within a different line of enroller. 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 or any other provision of the Agreement is strictly prohibited. IBOs shall not demean, discredit or defame other Cerule IBOs in an attempt to entice another IBO to become part of the first IBO's Marketing Organization. Notwithstanding the foregoing, this policy shall not prohibit the transfer of a Cerule IBO business. If Cross-Enrolling is discovered, it must be brought to the Company's attention immediately. Cerule may take action against the IBO who changed organizations and/or those IBOs who encouraged or participated in the Cross-Enrolling. Cerule may also move all or part of the offending IBO's downline to his or her original Downline organization if the Company deems it equitable and feasible to do so. However, Cerule is under no obligation to move the Cross-Enrolled IBO's downline organization, and the ultimate disposition of the organization remains within the sole discretion of Cerule. IBOs waive all claims and causes of action against Cerule arising from or relating to the disposition of the Cross-Enrolled IBO's downline organization.
- g) **Holding Applications or Orders**
IBOs must not manipulate enrollments of new applicants and the purchase of products. All IBO Application Agreements, and product orders must be sent to Cerule within forty-eight (48) hours from the time they are signed by an IBO or placed by a Retail Customer.
- h) **Stacking**
"Stacking" is strictly prohibited. The term Stacking includes:
- the failure to transmit to Cerule or the holding of a IBO Application and Agreement in excess of two (2) business days after its execution
 - violating the simultaneous interest rule (1.7 above)
 - enrolling fictitious individuals or Business Entities into the Cerule program

- 3.8 Downline Activity Reports (Genealogy Reports) are available for IBO access and viewing at Cerule's official website. IBO access to their 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 and are owned exclusively by Cerule. Downline Activity Reports are provided to IBOs in strictest confidence and are made available to IBOs for the sole purpose of assisting IBOs in working with their respective Downline Organizations in the development of their Cerule IBO business. IBOs should use their Downline Activity Reports to assist, motivate and train their Downline IBOs and support their customers. The IBO and Cerule acknowledge and agree that, but for this agreement of confidentiality and nondisclosure, Cerule would not provide Downline Activity Reports to the IBO. A IBO shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- Directly or indirectly disclose the password or other access code to his or her Downline Activity Report;
- Use the information to compete with Cerule or for any purpose other than promoting his or her Cerule IBO business;
- Recruit or solicit any IBO, Preferred Customer or Direct Retail Customer of Cerule listed on any report, or in any manner attempt to influence or induce any IBO, Preferred Customer or Direct Retail Customer, to alter their business relationship with Cerule;
- 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 IBO will return the original and all copies of Downline Activity Reports to the Company; and
- It is a violation of these Policies and Procedures for a IBO or a third party to access this data via reverse engineering, keystroke monitoring or by any other means.

CHAPTER FOUR: RESIGNATION/TERMINATION

4.1 Voluntary Resignation.

- A IBO may voluntarily terminate a IBO's status by failing to renew or by sending a written notice of resignation or termination to the Company. Voluntary resignation is effective upon receipt of such notice by the Company.
- A IBO who resigns or terminates a IBO's status may reapply as a IBO at an entry-level position six (6) months after resignation.

4.2 Suspension

A IBO may be suspended for violating the terms of the Agreement, which includes this Policy Manual, the Pay Plan and other documents produced by the Company. When a decision is made to suspend a IBO, the Company will inform the IBO in writing that the suspension has occurred effective as of the date of the written notification, the reason for the suspension and the steps necessary to remove such suspension, if any. The suspension notice will be sent to the IBO's address on file with the Company pursuant to the notice provisions contained in the Policy Manual. Such suspension may or may not lead to termination of the IBO's position as so determined by the Company in its sole discretion. If the IBO wishes to appeal, the Company shall receive such appeal in writing within fifteen (15) days from the date of the suspension notice. The Company will review and consider the suspension and notify the IBO in writing of its decision within thirty (30) days from the date of the suspension notice. The decision of the Company will be final and subject to no further review. The Company may take certain action during the suspension period, including, but not limited to, the following:

- Prohibiting the IBO from holding IBO meetings or outings as a IBO of the Company or using any of the Company's proprietary marks and/or materials;
- Withholding commissions and bonuses due to the IBO during the suspension period;
- Prohibiting the IBO from purchasing services and products from the Company; and/or
- Prohibiting the IBO from enrolling new IBOs, contacting current IBOs or attending Company events or meetings of IBOs.
- If the Company, in its sole discretion, determines that the violation that caused the suspension is continuing, has not been satisfactorily resolved, or a new violation involving the suspended IBO has occurred, the suspended IBO may be terminated.

4.3 Termination

A IBO may be terminated for violating the terms of the Agreement, which includes this Policy Manual, the Pay Plan and other documents produced by the Company. The Company may terminate a violating IBO without placing the IBO on suspension, in the Company's sole discretion. The IBO will be given notice of the opportunity to be heard by a panel to consider the issues relating to the grounds for termination. When the decision is made to terminate the IBO, the Company will inform the IBO in writing at the address in the IBO's file that the termination has occurred effective thirty (30) days from the date of the written notification.

4.4 Appeal

If a IBO wishes to appeal the termination, the Company must receive the appeal in writing within fifteen (15) days

from the date of notice of termination. If no appeal is received within the fifteen (15) day period, the termination will automatically be deemed final. If the IBO files a timely notice of appeal, the Company will review the appeal and notify the IBO of its decision within ten (10) days after receipt of the appeal. The decision of the Company will be final and subject to no further review. In the event the termination is not rescinded, the termination will remain effective as of the date stated in the original termination notice

4.5 **Effect of Termination**

Immediately upon termination, the terminated IBO:

- a) Shall remove and permanently discontinue the use of the trademarks, service marks, trade names and any signs, labels, stationery or advertising referring to or relating to any Company product, plan or program;
- b) Shall cease representing themselves as a IBO of the Company;
- c) Shall lose all rights to IBO's position and position in the Pay Plan and to all future commissions and bonuses resulting there from; and
- d) Shall take all action reasonably required by the Company relating to protection of its confidential information.

The Company has the right to offset any amounts owed by the IBO to the Company from commissions or other bonuses due to the IBO. The Company may also offset an estimate of the reasonable amount that the IBO owes under the terms of the indemnity obligation incurred pursuant to chapter 12.1 herein.

4.6 **Reapplication**

The acceptance of any reapplication of a terminated IBO or the application of any family member of a terminated IBO shall be in the sole discretion of the Company and may be denied.

4.7 **State Laws**

Where these provisions on termination violate the public policy of state laws, the applicable state law shall apply.

CHAPTER FIVE: TRANSFERABILITY

5.1 **Acquisition of Business**

Any IBO desiring to acquire an interest in another IBO's business shall first terminate his/her IBO position and wait six (6) months before becoming eligible for such a purchase. All such transactions shall be fully disclosed to the Company and are subject to approval by the Company in advance.

5.2 **Transfers to IBO**

Except as expressly set forth herein, a IBO may not sell, assign or otherwise transfer IBO's entity (or rights thereto) to another IBO or to an individual who has an interest in the IBO entity. Notwithstanding the foregoing, a IBO may transfer the IBO position to the enroller, subject to the conditions of chapter 5.3. In such event, the enroller's IBO position and the transferring IBO's IBO position shall be merged into one entity

5.3 **Conditions to Transferability**

A IBO may not sell, assign, merge or transfer a IBO's position (or rights thereto) without the prior written approval of the Company and any such transfer, if approved, is subject to the following conditions:

- a) The selling IBO shall provide the Company an executed "Sale of Cerule IBO Position" form and with a copy of all documents which detail the transfer, including without limitation, the name of the purchaser, the purchase price and terms of purchase and payment;
- b) A transfer fee of \$50.00 shall accompany the transfer documents;
- c) The documents shall contain a covenant made by the selling IBO for the benefit of the proposed purchaser not to compete with the purchaser or attempt to divert or enroll any existing IBO of the Company for a period of 6 months from the date of the sale or transfer; and
- d) Upon a sale, transfer or assignment being approved in writing by the Company, the buying party shall assume the position of the selling IBO and shall execute a current Agreement and all such other documents as may be reasonably required by the Company.

- e) The Company reserves the right, in its sole discretion, to stipulate additional terms and conditions prior to approval of any proposed sale or transfer. The Company reserves the right to disapprove any sale or transfer.

5.4 Circumvention of Policies

If it is determined, in the Company's sole discretion, that a IBO position was transferred in an effort to circumvent compliance with the Agreement, this Policy Manual, or the Pay Plan, the transfer will be declared null and void and the IBO position will revert back to the transferring IBO who will be treated as if the transfer had never occurred from the reversion day forward. If necessary, and in the Company's sole discretion, appropriate action, including without limitation, termination, may be taken against the transferring IBO to ensure compliance with the Agreement and this Policy Manual.

5.5 Succession

Notwithstanding any other provision of this chapter 5, upon the death of a IBO, the IBO's position will pass to IBO's successors in interest as provided by law; however, the Company will not recognize such a transfer until the successor in interest has executed a current Agreement and submitted certified copies of the death certificate and will, trust, or other instrument required by the Company to evidence transfer of ownership. The successor will thereafter be entitled to all the rights and be subject to all the obligations of a Company IBO.

5.6 Reentry

Any IBO who transfers their IBO business shall wait for six (6) months after the effective date of such transfer before becoming eligible to reapply to become a new IBO. An IBO may change lines by voluntarily cancelling his or her Cerule IBO business and remaining inactive (i.e., no purchases of Cerule products for resale, no sales of Cerule products, no enrolling, no attendance at any Cerule functions, participation in any other form of IBO activity, or operation of any other Cerule IBO business) for six (6) full calendar months.

5.7 Changes to a IBO business

Each IBO must immediately notify Cerule of all changes to the information contained on his or her IBO Application Agreement. IBOs may modify their existing IBO Application and 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 IBO) by submitting a written request for a Name Change Request Form, a properly executed IBO Application and Agreement, and appropriate supporting documentation.

a) Addition of Co-Applicant

When adding a co-applicant (either an individual or a Business Entity) to an existing IBO business, the Company requires a written request, as well as a properly completed IBO Application and Agreement containing the applicant and co-applicant's Social Security Numbers and signatures. To prevent the circumvention of chapter 5.2 (regarding transfers and assignments of a IBO business), the original applicant must remain as the main party to the original IBO Application and Agreement. If the original IBO wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her IBO business in accordance with chapter 4.9. If this process is not followed, the IBO business may be cancelled by Cerule upon the withdrawal of the original IBO. All bonus and commission checks will be sent to the address of record of the original IBO. Please note that the modifications permitted within the scope of this chapter 5.7 do not include a change of enroller or placement enroller. Changes of enroller or placement enroller are addressed in chapter 5.7(b) below. There is a processing fee for each change requested, which must be included with the written request and the completed IBO Application and Agreement.

b) Change of Enroller

To protect the integrity of all marketing organizations and safeguard the hard work of all IBOs, Cerule strongly discourages changes in enrollers or placement enrollers. Maintaining the integrity of placement is critical for the success of every IBO and marketing organization. Accordingly, the transfer of a Cerule IBO business from one enroller to another is rarely permitted. Requests for a change must be submitted by contacting the IBO Support Department and must include the reason for the change. Any change will be at the sole discretion of the Company. If the change is approved, only one change will be allowed per enroller. A change of enroller will only be considered in the following two (2) circumstances:

- In cases involving fraudulent inducement or unethical enrolling, a IBO may request that he or she be transferred/changed to another organization with his or her entire Marketing Organization intact. All requests for transfer/change alleging fraudulent enrollment practices shall be evaluated on a case-by-case basis.
- The IBO seeking to transfer/change submits a properly completed and fully executed enroller Change Request Form, which includes the written approval of his or her enroller and immediate seven (7) upline IBOs. Photocopied or facsimile signatures are not acceptable. The IBO who requests the transfer must submit a processing fee for administrative charges and data processing. If the transferring IBO also wants to move any of the IBOs in his or her organization, each downline IBO must obtain a properly completed Enroller Change Request Form and return it to Cerule with the processing fee (i.e., the transferring/changing IBO and each IBO in his or her organization multiplied by the processing fee is the cost to move a Cerule organization.) Downline IBOs will not be moved with the transferring/changing IBO unless all of the requirements are met. Transferring/changing IBOs must allow thirty (30) days after the receipt of the Enroller Change Request Form by Cerule for processing while a decision is being made.

5.8 **Separation of a Cerule IBO business**

Cerule IBOs sometimes operate their Cerule IBO business as husband-wife through a Business Entity. At such time as a marriage ends, or a Business Entity dissolves, arrangements must be made to assure that any separation or division of the Business Entity is accomplished so as not to adversely affect the interests and income of other IBOs upline or downline of the IBO business. If the separating parties fail to provide for the best interests of other IBOs and the Company, Cerule may involuntarily and immediately terminate the Agreement and roll-up their IBO business and its entire Marketing Organization.

Under no circumstances will the Downline of divorcing or legally separating spouses or a dissolving Business Entity be divided based on the requests or desires of the divorcing or legally separating parties. Similarly, under no circumstances will Cerule split commission and bonus checks between divorcing or legally separating spouses or members of dissolving Business Entities. Cerule will recognize only one downline and will issue only one commission check per Cerule IBO business per commission cycle. Commission checks shall be issued to the individual or Business Entity on the IBO business. In the event that parties to a divorce or dissolution proceeding is unable to resolve a dispute over the disposition of commissions and ownership of the IBO business, commissions will continue to be paid to the primary member on the account. If a former spouse or a former Affiliated Individual has completely relinquished all rights in their original Cerule IBO business, they are thereafter free to enroll under any enroller of their choosing, so long as they meet the waiting period requirements. In such case, however, the former spouse or partner shall have no rights to any downline in their former organization. The former spouse or partner must develop the new Marketing Organization in the same manner as would any other new IBO.

5.9 **Transfer Upon Incapacitation of a IBO**

To effect a transfer of a Cerule IBO business because of incapacity, a legally appointed representative must provide the following to Cerule:

- a.) a notarized copy of an appointment as trustee or other legally appointed representative;
 - b.) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the Cerule IBO business; and
 - c.) a completed IBO Application and Agreement executed by the trustee.
- If the representative in interest is already a Cerule IBO, the Company may grant exception to the One IBO business per Household rule upon written request from the representative in interest.

CHAPTER SIX: PROPRIETARY INFORMATION

6.1 **Confidentiality Agreement**

During the term of the Agreement, the Company may supply to a IBO confidential information including, but not limited to genealogical and downline reports, customer lists, customer information developed by the Company or developed for and on behalf of the Company by a IBO (including, but not limited to bank and credit card data, customer and IBO profiles and product purchase information), IBO lists, manufacturer and supplier information, business reports, commission or sales reports and such other financial and business information which the Company

may designate as confidential. All such information (whether in written or electronic form) is proprietary and confidential to the Company and is transmitted to IBO in strictest confidence on a “need to know” basis for use solely in IBO’s business with the Company. IBO shall use IBO’s best efforts to keep such information confidential and shall not disclose any such information to any third party, directly, or indirectly. IBO shall not use the information to compete with the Company or for any purpose other than promoting the Company’s program and its products and services. Upon expiration, non-renewal or termination of the Agreement, IBO shall discontinue the use of such confidential information and promptly return any confidential information in their possession to the Company.

6.2 Copyright Restrictions

With respect to product purchases from the Company, a IBO shall abide by all manufacturers’ use restrictions and copyright protections.

6.3 Vendor’s and Other Business Associate’s Confidentiality

The Company’s business relationships with its vendors, manufacturers, suppliers, and researchers are confidential. A IBO shall not contact, directly or indirectly, speak to, or communicate with any supplier, manufacturer, or researcher of the Company except at a Company-enrolled event at which the supplier, manufacturer, or researcher is present at the request of the Company.

CHAPTER SEVEN: TRADEMARKS, LITERATURE, AND ADVERTISING

7.1 Trademarks

The Company’s name, trademarks, service marks, and copyrighted materials are owned by the Company, including the names of the Company’s products. The use of such marks and materials shall be in strict compliance with the Policy and Procedures Manual. Only the Company is authorized to produce and market products and literature under these trademarks. Use of the Company name on any item not produced or authorized by the Company is prohibited, except in the manner described below:

Name
IBO
CERULE®

7.2 Telephone, Yellow and White Page Listing

A IBO is not permitted to use the Company’s trade name in advertising in the white or yellow page chapters of the telephone book. IBO is not permitted to list their telephone numbers under the Company’s trade name without first obtaining prior written approval from the Company. If approval is granted for a listing, it shall be stated in the following manner:

Name
IBO
CERULE®

7.3 Imprinted Checks

A IBO is not permitted to use the Company trade name or any of its trademarks or service marks on their business or personal checking accounts; however, A IBO may imprint IBO’s business checks as being a “Cerule® IBO.”

7.4 Printed Business Cards or Letterheads

A IBO is not permitted to “create” IBO’s own stationery, business cards or letterhead graphics if the Company’s trade name and/or trademarks are used. Only the approved Company graphics version and wording are permitted and letterhead shall be ordered either from the Company directly or from the Company-licensed independent contractor.

7.5 Print and Electronic Advertising

Only Company-produced or approved in writing in advance promotional and advertising materials may be used to advertise or promote a IBO’s business, or sell products or services of the Company in any print or electronic media, including on an Internet web site. No person shall use the Company name, logos, trademarks, or copyrighted material in any advertising not produced by the Company or without the prior express written permission from the Company. The Company’s literature and materials may not be duplicated or reprinted without the prior written permission of Company. The Company’s consent or approval may be withheld at its sole discretion. Banners, trade show materials and the like must be approved in writing by the Company.

7.6 **Internet**

The Company maintains a presence on the Internet via its own web site. An IBO is prohibited from using any trademarks of Company, including the name Cerule®, the Cerule® logo, and the name of any of the products, or any other trade names, trademarks, or distinctive phrases or remarks used by the Company, including those related to any product, or any term confusingly similar thereto - in any form on the internet. If a IBO desires to provide a link from the IBO's personal web site directly to the Company's website, the IBO's request must be in writing and is subject to Company approval in its sole discretion. No link may be established until the IBO receives written approval from Cerule.

7.7 **Protection of Minors**

The Cerule website is not designed for or targeted at children. We do not knowingly collect, use, or disseminate any personally identifiable information from children under the age of 18. If, however, we become aware that personally identifiable information regarding a child under the age of 18 has been collected at the Cerule site, we will use such information for the sole purpose of contacting a parent or guardian of the child to obtain verifiable parental consent. If we cannot obtain consent after a reasonable period of time, or if when contacted, a parent or guardian requests that we do not use or maintain such information, we will make reasonable efforts to delete it from our records. Upon request by a parent or guardian, Cerule will provide a description of the specific types of personal information collected from a child who is under the age of 18.

7.8 **Social Media**

- a) As a IBO of Cerule, you are encouraged but not required to maintain a presence in social media. Should you choose to do so, however, you must adhere to the guidelines and policies set forth by Cerule. These guidelines and policies are designed to ensure the uniformity and professionalism of the Cerule brand which, in turn, benefits your business.
- b) Cerule maintains an online presence for the benefit of the company as a whole, which includes Customers, IBOs, and the general public. We ask that in our public forums (Facebook, Twitter, etc.) you keep your comments relevant to all.
- c) You may not use the official corporate Cerule pages to drive business, solicit business, drive people to your own site, or recruit IBOs. Our trademarked brand name cannot be used to drive traffic away from our corporate site.
- d) You cannot represent your independent business as the corporate office. All IBO communications, both in print and online, must clearly appear as coming from an independent representative of the Company and not lead the consumer to think they may be interacting with the corporate office.
- e) You are welcome to use the term "IBO for Cerule" in the name/description of various social media sites for your business. You cannot use the word "official" or anything similar. You cannot create an alias for any sites like Twitter or others that use any permutation of the Cerule name. For further clarification regarding naming, please refer to chapter 8.9
- f) When posting information online related to Cerule, please consider if the information you are sharing is beneficial to your business and to the company as a whole. Do not represent yourself in any way online that detracts from the Cerule brand. All IBOs agree, acknowledge, and affirmatively accept any content posted (photos, testimonials, statements, marketing materials, etc.) on a social networking Web site including, but not limited to, Facebook, Twitter, Instagram, LinkedIn, Flickr, etc., must adhere to the Print and Electronic Guidelines. Health/medical claims, income claims, or disparaging comments, remarks, etc. are expressly prohibited and will not be approved or allowed.
- g) In the event of your voluntary or involuntary termination as a Cerule IBO, you are required to remove all references to Cerule from social networking profile(s) within ten days.
- h) Should Cerule discover non-compliant profiles and/or websites, you will be required to remove the material immediately.
- i) Infractions of any social media guideline may result in disciplinary actions up to and including termination of your IBO account.

7.9 **Endorsements**

No endorsements by a Company officer or any third party may be asserted, except as expressly communicated in the Company literature and communications. Federal and state regulatory agencies do not approve or endorse direct selling programs. Therefore, IBO may not represent or imply, directly or indirectly, that the Company's program, products or services has been approved or endorsed by any governmental agency.

- 7.10 **Independent Communications**
Subject to the restrictions imposed by this chapter 7, a IBO is encouraged to distribute information and direction to IBO's respective downline; however, IBO shall identify and distinguish between personal communications and the official communications of the Company.
- 7.11 **Medical Claims**
No medical claims (expressed or implied) may be made for any Company product by a IBO. The Company recommends that customers under a physician's care or suffering from any chronic disorder should consult their physician before undertaking any changes in diet or when beginning any nutritional program. The Company's nutritional products are designed for augmentation, not replacement. The Company encourages all Company customers to seek the advice and counsel of nutritional and healthcare professionals
- 7.12 **Re-packaging Prohibited**
A IBO may not repackage products or materials of the Company in any manner.
- 7.13 **Telephone Answering**
IBO may not answer the telephone by saying "Cerule" or in any other manner that would lead the caller to believe that the call has reached the corporate offices of the Company.
- 7.14 **Liability**
Violation of any of the rules contained in this Policy Manual is grounds for termination of the individual's IBO status. The violator may also be liable for damages resulting from unauthorized use of the Company copyrights, trademarks, and materials.

CHAPTER 8 – ADVERTISING

- 8.1 **General Rule**
In order to safeguard and promote the good reputation and established brands of Cerule and its products and ensure that the promotion of Cerule, the Cerule opportunity, the Pay Plan, and Cerule products are consistent with the public interest and avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices, all IBOs, are encouraged to use the sales aids and support materials produced by Cerule. The Company has carefully designed its products, product labels, Pay Plan and promotional materials to ensure that the presentation of each aspect of Cerule is fair, truthful, substantiated and complies with the vast and complex legal requirements of federal, state and other applicable local laws
- 8.2 **Unauthorized Claims and Actions**
A IBO is fully responsible for all of his or her verbal and written statements made regarding Cerule products and the Pay Plan which are not expressly contained in official Cerule materials. IBOs agree to indemnify Cerule's directors, officers, employees and agents, and hold them harmless from any and all liability including, but not limited to, judgments, civil penalties, refunds, attorney fees, court costs or lost business incurred by Cerule as a result of the IBO's unauthorized representations or actions. This provision shall survive the termination of the Agreement.
- 8.3. **Product Claims**
No claims, which include personal testimonials, as to therapeutic, curative or beneficial properties of any products offered by Cerule may be made except those contained in official Cerule materials. In particular, no IBO may make any claim that Cerule products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases or signs or symptoms of disease. Not only are such claims violations of Cerule policies, but they potentially violate applicable laws, including, but not limited to, federal and state laws and regulations, such as the Federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act.

A IBO that provides product experience testimonials in any medium should use care to disclose their affiliation with Cerule, i.e., "Cerule® IBO," be honest in their testimonial personal experience and assert that they are not claiming that their experience is the typical result experienced by consumers.

8.4 **Income Claims**

In their enthusiasm to enroll prospective IBOs, some IBOs are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing and Cerule in particular. This is counterproductive because new IBOs may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. There are laws and regulations that regulate, or even prohibit, certain types of income claims and testimonials made by persons engaged in network marketing. While IBOs 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 Cerule as well as the IBO making the claim, unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because IBOs do not have the data necessary to comply with the legal requirements for making income claims, a IBO, when presenting or discussing the Cerule opportunity or Pay Plan to a prospective IBO, may not make income projections, income claims or disclose his or her Cerule 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 Pay Plan and which are based solely on mathematical projections, may be made to prospective IBOs, so long as the IBO who uses such hypothetical examples makes clear to the prospective IBO(s) that such earnings are hypothetical and the IBO provides the prospect with a copy of the most current income disclosure chart prepared by the Company. Until such time as Cerule publishes an official income disclosure statement, IBOs may not use hypothetical income examples in the promotion of their Cerule IBO business.

8.5 **Use of Celebrity Names and Likeness**

No names or likeness of a celebrity may be published by IBOs in association with Cerule without prior written approval of Cerule.

8.6 **Interaction with Scientific Advisory Board and other Company Consultants**

Cerule is uniquely positioned in the marketplace by its special relationship with many preeminent scientific, marketing, public relations, business and legal professionals. In the interest of preserving these relationships for the benefit of all IBOs and the Company, IBOs must: adhere strictly to the Company's advertising policies; and refrain from any contact with any member of the Company's Board of Directors, Scientific Advisory Board or other consultant or advisor of the Company, without the express prior written consent of the Company.

8.7 **Governmental Approval or Endorsement**

Government regulatory agencies do not approve or endorse any direct selling or network marketing companies or programs. Therefore, IBOs shall not represent or imply that Cerule or its Pay Plan has been "approved," "endorsed" or otherwise sanctioned by any government agency.

8.8 **Mass Media**

- a) **Mass Media Promotions:** Utilizing Mass Media is Prohibited. Except as otherwise specifically authorized herein, IBOs may not use any form of media or other mass communication advertising to promote the products or opportunity. This includes news stories or promotional pieces on TV shows, newscasts, entertainment shows, Internet ads, etc. Products may be promoted only by personal contact or by literature produced and distributed by the Company or by IBOs in accordance with these Policies and Procedures. IBOs may place generic opportunity advertisements in jurisdictions allowing that type of advertisement, but only in accordance with the Policies and Procedures of the Company and in compliance with applicable law.
- b) **Media Interviews:** IBOs may not promote the Products or opportunity through interviews with the media, articles in publications, news reports, press releases or any other public information, trade or industry information source, unless specifically authorized, in writing, by the Company. This includes private, paid membership or "closed group" publications. IBOs may not speak to the media on the Company's behalf and may not represent that they have been authorized by the Company to speak on its behalf. All media contacts or inquiries should be immediately referred to the Marketing Communications Department of the Company.

8.9 **Internet**

Regardless of compliance with the policies and procedures set forth herein, all Cerule IBOs are personally responsible for their online postings and all other online activity that relates to Cerule.

Therefore, even if a Cerule IBO does not own or operate a blog or social media site, if a Cerule IBO posts to any such site that relates to Cerule or which can be traced to Cerule, the Cerule IBO is responsible for the posting and must

act in a way that builds, strengthens and enhances Cerule's reputation, image and standing in the community. Cerule IBOs are also responsible for postings which occur on any external website that the Cerule IBO owns, operates or controls. Cerule IBOs must disclose their full names on all relevant social media profiles that relate to Cerule and its products or business, and each must conspicuously identify themselves as an "Cerule IBO." Anonymous postings or use of an alias is prohibited. Cerule IBOs must avoid inappropriate conversations, comments, images, video, audio, applications or any other adult, profane, discriminatory or vulgar content. Determination of what is inappropriate is at Cerule's sole discretion, and offending Cerule IBOs will be subject to disciplinary action.

Cerule IBOs may not use blog spam, or any other mass-replicated methods to leave comments on any website, blog or message board. Comments Cerule IBOs create or leave online must be useful, unique, relevant and specific to the blog's article.

As a general rule, Cerule IBOs may not use any geographic references in the page names/titles or URLs of their Cerule related social media or external websites. For purposes of clarification and the avoidance of doubt, other than for a default URL or an approved amendment to a default URL, Cerule IBOs may not use the terms "Cerule," "or any derivation thereof, in any external website address or related URL (e.g., www.sellingcerule.com or www.blogspot.Cerule.com)

Any External Website which contains "Cerule", other Cerule product and program names, or any derivation thereof in the URL, must be transferred to Cerule or closed/terminated upon demand by Cerule. In no event may the Cerule IBO sell such domain name to any third party without the prior express written consent of Cerule.

8.10 **IBO Websites**

If a IBO desires to utilize an Internet web page to promote his or her IBO business, he or she may do so only through the Company's replicated website program, using the official Cerule template. This program permits IBOs to advertise on the Internet and to use a home page design that can be personalized with the IBO's contact information. These websites give the IBO a professional and Company-approved presence on the Internet. Online sales may only be generated from a IBO's Cerule replicated website. A IBO shall not use "blind" ads on the Internet that make product or income claims which are ultimately associated with Cerule products, the Cerule opportunity or the Cerule Pay Plan.

8.12 **The Official Cerule Public Facebook (or similar) Pages**

Cerule has an official public Facebook page which it uses to invite potential customers and investors to investigate the company. It is not intended to be used by Cerule IBOs to sell product or promote their business or to interact with other IBOs or consumers. As such, Cerule IBOs may not place linking information on the public Cerule Facebook page, nor may they post any pricing, promotions, marketing material, sales, advertisements, or announcements relating to their businesses. Cerule reserves the right to remove any messages posted on the official Company Facebook page as determined in its sole discretion.

8.15 **Use of Third-Party Intellectual Property**

If a Cerule IBO uses the trademarks, trade names, service marks, copyrights or intellectual property of any third party in any online posting, it is their responsibility to ensure that they have received the proper license to use such intellectual property and pay the appropriate license fee. All third-party intellectual property must be properly referenced as the property of the third party, and the IBO must adhere to any restrictions and conditions that the owner of the intellectual property places on the use of its property.

8.16 **Respecting Privacy**

Cerule IBOs must always respect the privacy of others in their postings. They must not engage in gossip or advance rumors about any individual, company or competitive products or services. Cerule IBOs may not list the names of other individuals or entities on their postings unless they have the written permission of the individual or entity that is the subject of their posting.

8.17 **Professionalism**

Cerule IBOs must ensure that their postings are truthful and accurate. This requires that they fact-check all material they post online. They should also carefully check their postings for spelling, punctuation and grammatical errors. Use of offensive language is strictly prohibited.

- 8.18 **Prohibited Postings**
Cerule IBOs may not make any postings or link to any postings or other material that:
- Is sexually explicit, obscene or pornographic;
 - Is offensive, profane, hateful, threatening, harmful, defamatory, libelous, harassing, or discriminatory (whether based on race, ethnicity, creed, religion, gender, sexual orientation, physical disability, or otherwise);
 - Is graphically violent, including any violent video game images;
 - Is solicitous of any unlawful behavior;
 - Engages in personal attacks on any individual, group or entity; or
 - Is in violation of any intellectual property rights of the Company or any third party.
- 8.19 **Responding to Negative Online Posts**
Cerule IBOs should not converse with one who places a negative post against them, other Cerule IBOs or Cerule and their Management, Employees, Advisors or Consultants. They should report negative posts to the Company. Negative posts will be handled by the Company in its sole discretion.
- 8.20 **Cancellation of Your Cerule Business**
If a IBO's Cerule business is cancelled for any reason, they must discontinue using the Cerule name, and all of Cerule's trademarks, trade names, service marks and other intellectual property, and all derivatives of such marks and intellectual property, in any postings and all external websites that they utilize. If a IBO's post on any social media site on which they have previously identified themselves as an Independent Cerule representative, they must conspicuously disclose that they are no longer an Independent Cerule Representative.
- 8.22 **Online Classifieds**
Cerule IBOs may not use online classifieds (including, but not limited to, Craigslist) to list, sell or retail specific Cerule products, product bundles or the opportunity.
- 8.23 **Online Auction Websites**
Cerule's products and program may not be listed on eBay or other online auctions, nor may IBOs enlist or knowingly allow or facilitate a third party to sell Cerule products on eBay or other online auctions.
- 8.24 **Online Retailing**
IBOs may not list or sell Cerule products on any retail store or ecommerce site, including Amazon.com or the like (with the exception of their own Replicated Website) Additionally, IBOs may not (1) enlist or knowingly allow a third party to sell Cerule products on any online retail store or ecommerce site or (2) sell products to a third party that the IBO has reason to believe will sell such products on any online retail store or ecommerce site. IBOs may obtain the then-current product images and descriptions from the Tools Tab in their Virtual Office, which IBOs may display only on their Replicated Website.
- 8.25 **Banner Advertising**
IBOs may place banner advertisements on their third-party websites (as described herein below); provided, however, that they only use Cerule -approved templates and do not list any pricing, discounts or promotions of any Cerule product on such advertisement. Any Cerule related banner advertisements on these websites must link back directly to their replicated Cerule website only.
- 8.26 **Spam Linking**
Spam linking is defined as multiple consecutive submissions of the same or similar content into blogs, wikis, guest books, websites or other publicly accessible online discussion boards or forums and is not allowed. This includes blog spamming, blog comment spamming. Any comments a IBO makes on blogs, forums, guest book, etc., must be unique, informative and relevant.
- 8.27 **Digital Media Submission** (e.g., YouTube, iTunes, Photobucket, etc.)
IBOs may not upload, submit or publish Cerule owned or related video, audio or photo content to any website.
- 8.28 **Pay-Per-Click and Paid Search**

Enrolled links or pay-per-click ads (PPC) are acceptable as described herein. The destination and display URL must be the same. The ad must not portray any URL that could lead the user to believe they are being directed to a Cerule Corporate website, or be inappropriate or misleading in any way. IBOs cannot use Cerule's trade names, trademarks or other copyrights when submitting Google AdWords, Bing Keywords, etc. to search engines.

8.29 Spamming and Unsolicited Communication

Except as provided in these Policies and Procedures, IBOs may not send or transmit unsolicited faxes, mass email distribution, unsolicited e-mail or "spamming" relative to the operation of their Cerule IBO business. 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 Cerule, its products, its Pay 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: to any recipient with that recipient's prior express invitation or permission; or to any person with whom the IBO has an established business or personal relationship. The term "established business or personal relationship" means prior or existing relationship formed by a voluntary two-way communication between a IBO and a person, on the basis of an inquiry, application, purchase or transaction by the person regarding products offered by such a IBO; or a personal or familial relationship, which relationship has not been previously terminated by either party.

8.30 Telemarketing

The Federal Trade Commission and the Federal Communications Commission, as well as other applicable local authorities, each have regulations that restrict telemarketing practices. Many authorities have "do not call" regulations as part of their telemarketing laws. Although Cerule does not consider IBOs to be "telemarketers" in the traditional sense of the word, these government regulations broadly define the term "telemarketer" and "telemarketing" so that a IBO's inadvertent action of calling someone whose telephone number is listed on a "do not call" registry could cause them to violate the law. Moreover, these regulations must not be taken lightly, as they can carry significant penalties and fines, per violation.

Therefore, IBOs must not engage in telemarketing in the operation of their Cerule IBO business. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Cerule product or service, or to recruit them for the Cerule opportunity. "Cold calls" made to prospective customers or IBOs that promote either products or services or the Cerule opportunity constitute telemarketing and are prohibited. In addition, IBOs shall not use automatic telephone dialing systems or random phone lists relative to the operation of their Cerule IBO business. The term "automatic telephone dialing system" means equipment which has the capacity to: store or produce telephone numbers to be called using a random or sequential number generator; and to dial such numbers. In addition, IBOs acknowledge and agree to abide by telemarketing guidelines.

8.31 Advertised Product Price

IBOs may not advertise Cerule Products at a price LESS than the suggested retail price of one (1) unit of the Cerule product. IBOs also agree that all advertising regarding the price of Products will be truthful and will not contain misleading statements (e.g. "lowest price available" which infers that a IBO is able to sell the Products at a lower price than other IBOs, etc.) Any violation of this chapter by a IBO shall constitute a breach of the Agreement and may result in punitive action.

CHAPTER NINE: SALES REQUIREMENTS (COMMISSION)

9.1 Product Sales

The Cerule Pay Plan is based upon the sale of Cerule products to end consumers. IBOs 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 IBOs to be eligible for commissions:

a) Sales Volume

IBOs must satisfy the Personal Volume ("PV") and Group Volume ("GV") requirements to fulfill the requirements associated with a particular rank as specified in the Cerule Pay Plan. PV includes purchases made by the IBO, personally enrolled Preferred Customers and Retail Customers. All IBOs are still required to have their personal monthly order volume to fulfill monthly requirements as specified in the Pay Plan. GV shall include the total PV of all IBOs in their Marketing Organization plus the IBO's PV.

b) **Complying with the 70% Sales Rule**

The IBO must comply with the 70% Sales Rule as set forth in below. By placing a new product order, a IBO is deemed to have certified that he or she has sold or consumed at least 70% of all products purchased in prior orders. Each IBO that receives rebates, bonuses or commissions and orders additional product agrees to retain documentation that demonstrates compliance with this policy, including evidence of retail sales, for a period of at least four (4) years. A IBO agrees to make this documentation available to the Company at the Company's request. Failure to comply with this requirement or falsely representing the amount of product sold or consumed in order to advance in the Pay Plan constitutes a breach of the Agreement and is grounds for termination. Furthermore, a breach of this requirement entitles the Company to recover any commissions paid to the IBO for any period of time during which such documentation is not maintained or for which this provision has been breached.

c) **Sales Receipts**

IBOs must provide their Retail Customers an official Cerule sales receipt at the time of the sale. These receipts set forth consumer protection rights afforded by applicable law. IBOs must maintain all retail sales receipts for a period of four years and furnish them to Cerule at the Company's request. Records documenting the purchases of a IBO's Direct Retail Customers will be maintained by Cerule. IBOs 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 IBO. Remember that customers must receive two copies of the sales receipt. In addition, IBOs must verbally inform the buyer of his or her cancellation rights.

9.2 **Bonus and Commission Qualifications**

A IBO must be active and in compliance with the Agreement to qualify for bonuses, commissions and incentives So long as a IBO complies with the terms of the Agreement, Cerule shall pay bonuses, commissions and incentives earned to such IBO in accordance with the Pay Plan.

9.3 **Basis for Commissions**

Commissions and other bonuses cannot be paid until a completed Agreement has been received and accepted by the Company prior to the end of the month in which the sale is made. Commissions are paid ONLY on the sale of Company services and products. No commissions are paid on the purchase of a IBO Launch Kit, promotional materials and events or for enrolling IBOs.

9.4 **Calendar Month**

Commissions and bonuses are calculated and paid on the current pay period information. A IBO is promoted to the highest rank in which he/she qualifies at the close of each bonus period. Commissions and bonuses are paid based on the "Paid as" rank.

9.5 **Commission and Bonus Payment Date**

Monthly commission and bonuses are paid two weeks following the end of each pay period. Should the payment day fall on a legal holiday or weekend, commissions and override payments will then be made on the next regularly scheduled business day. Weekly commission and bonuses are paid fifteen (15) days following the close of the commission period. Commissions are paid to "qualified" IBOs as defined in the Pay Plan. The Pay Plan sets forth a detailed explanation of the benefits and the commission structure.

9.6 **Minimum Payment**

The minimum amount for payment of commissions and overrides is \$15.00; all monies not paid will be included in the next payment. Processing fees vary based on payment option and may be deducted from all commission and bonus payments.

9.7 **Offset of Commissions**

Any commissions or bonuses earned and paid on products returned is the obligation of and shall be repaid to the Company by the IBO originally paid such commissions or bonuses. The Company has the right to offset such amounts against future commissions and other bonuses paid or owed to such IBO and IBO's upline who participated in an override.

9.10 **Adjustment to Bonuses and Commissions**

IBOs receive bonuses and commissions based on the actual sales of products to end consumers. When a product is returned to Cerule for a refund, the commissions and bonuses attributable to the returned 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 IBOs who received the commissions and bonuses on the sales or purchase of the refunded products.

9.11 **Cancellation Within the First 30 Days**

If a IBO chooses to cancel the Agreement within the first thirty (30) days of enrollment and also chooses to return the product that they have ordered, a refund will be issued for the full amount paid less any shipping and handling expenses.

9.12 **Incentive Trips and Awards**

From time to time, the Company may provide incentive trips and other awards to qualified IBOs. These awards or trips may be based on title and IBO performance and are provided only to the person(s) listed on a qualifying IBO Agreement, up to airfare for two such persons and hotel accommodations of one room. Incentive trips or awards may not be deferred for future acceptance and have no cash value. No payment or credit will be given to those who cannot or choose not to attend trips or to accept awards. Notwithstanding anything to the contrary herein, and although the Company may pay some or all of the costs of such incentive trips, the IBO agrees to indemnify and hold harmless the Company from any claim, injury, loss or other damage sustained in association with the trip or award by the IBO and/or its guests. The IBO cannot make claim upon, or rely upon, any insurance policy of the Company to cover the costs and expenses of any injury, loss or other damage to the IBO and/or the IBO's guests.

The Company may be required by law to include the fair market value of any incentive awards, trips, etc. on the IBO's end of the year tax report. The IBO is liable for all applicable taxes and agrees to hold the Company harmless from claims of tax liability relating to these incentive trips and awards.

If it is discovered that the IBO has made any misrepresentations or has violated the Agreement in becoming eligible for these incentive trips and awards, the Company may charge the IBO for any costs incurred by the Company or for any benefits or awards received by the IBO. The Company reserves the right at its sole and absolute discretion to disallow participation for any reason it deems necessary.

CHAPTER TEN: PURCHASE AND SALE OF PRODUCTS

10.1 **Ordering**

IBOs are encouraged to promote Cerule's Retail Customer and Preferred Customer Programs to their customers. The Retail Customer and Preferred Customer Program allow both types of customers to purchase their products directly from Cerule. Customers simply call Cerule's toll-free order number to place their orders, which they may charge to their credit card. Cerule will send the ordered products directly to the customer. To ensure that IBOs receive the appropriate commissions, Direct Retail Customers and Preferred Customers may not place an order without a IBO's ID Number. Preferred Customers must also enroll in Cerule's AutoShip program whereby the Customer will sign up to have a pre-selected package of Cerule product/s delivered to his or her home automatically each month.

10.2 **Purchasing Cerule Products**

Each IBO should purchase his or her products directly from Cerule under his or her ID Number. If an IBO purchases product from another IBO or any other source, the purchasing IBO will not receive the Personal Sales Volume that is associated with that purchase.

10.3 **Shipping and Backorder Policy**

Cerule 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 Cerule receives additional inventory. IBOs will be charged and given Personal Sales Volume on back ordered items unless notified on the invoice that the product has been discontinued. Cerule will notify IBOs and Customers if items are backordered and are not expected to ship within thirty (30) days from the date of the order. An estimated shipping date will also be provided. Back ordered items may be cancelled request. If a refund is requested, the IBO's Personal Sales Volume will be decreased by the amount of the refund in the month in which the refund is issued.

- 10.4 **Confirmation of Order**
A IBO 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 Cerule of any shipping discrepancy or damage within thirty (30) days of shipment waives a IBO's right to request a correction.
- 10.5 **Deposits**
No monies should be paid to or accepted by a IBO for a sale to a personal Retail Customer except at the time of product delivery. IBOs should not accept monies from Retail Customers to be held for deposit in anticipation of future deliveries.
- 10.6 **Insufficient Funds**
It is the responsibility of each IBO to ensure that there are sufficient funds or credit available in his or her account to cover their monthly AutoShip order. Cerule is not obligated to contact IBOs in regard to orders cancelled due to insufficient funds or credit. This type of order cancellation may result in a IBO's failure to receive product or to meet his or her Personal Sales Volume requirements for the month.
- 10.7 **Restrictions on Third Party Use of Credit Cards**
IBOs shall not permit other IBOs or Customers to use his or her credit card.
- 10.9 **Purchase Requirement**
No product purchase is required in order for an applicant to become a IBO, although purchases or sales of products may be required in order to advance in the Pay Plan. IBOs who have had their Agreement accepted by the Company may buy products at wholesale prices directly from the Company.
- 10.10 **Stockpiling Prohibited**
The success of the Company depends on sales to the ultimate consumer and all forms of stockpiling are strictly prohibited including, but not limited to, purchases of products primarily for purposes of qualifying for additional compensation. The Company recognizes that IBO will purchase products for IBO's own use, however, the Company strictly prohibits the purchase of products in unreasonable amounts in an attempt to qualify for advancement in the Pay Plan.
- 10.12 **Retail Sales Rule**
IBOs at the rank of 5k and above are required to make sales to at least five (5) retail customers per month.
- 10.13 **Preferred Customer Rules**
A Preferred Customer must personally opt-in to the monthly Auto-Delivery Order program. Invalid Preferred Customer orders are defined as orders submitted as Preferred Customer orders for qualification purposes without the written authorization from the customer. If a Cerule IBOs submits a Preferred Customer order without the Customer's consent, the IBO will be subject to disciplinary action, including termination. Preferred Customer orders cannot be paid by or shipped to a Cerule IBO for any reason. No exceptions.
- 10.14 **Ordering Methods**
All orders submitted to the Company shall have the IBO's identification number placed thereon to assist the Company in processing and shipping the order properly. Failure to provide this information may result in a delay in processing the order.
- 10.15 **Direct Purchase**
A IBO should purchase IBO's product needs directly from the Company. Should a IBO obtain product from a IBO's Enroller IBO's personal inventory and a replacement product order is not placed and processed through the Company, no commissions or overrides will be paid by the Company on such transactions.
- 10.16 **Payment Options**
Purchases may be paid by money order, cashier's check, personal check or credit cards, unless specifically stated otherwise by the Company. Pre-printed name, physical address and phone number, must be on all checks. Personal checks will be accepted only for payments in the amount not greater than \$1,000. In the event a check or credit card

is declined, IBO will be contacted for an alternate form of payment and may be subject to an additional processing fee. No orders will be shipped without prior payment. Returned checks are subject to a \$30.00 returned check fee.

10.17 Shipping and Handling

It is the ordering IBO's sole responsibility to indicate (a) the method and means of shipping, and (b) the destination address.

10.18 Product Delivery

Upon clearance of payment, the Company processes for shipment the products and materials ordered. If an item is temporarily not available ("TNA"), the consignee will be notified on the packing list included with the shipment. If a TNA should occur, the item(s) will be shipped as soon as available and usually within ten (10) days of the date the original order and payment was received. Back orders may be cancelled by the IBO by written request received by the Company prior to shipment.

10.19 Damaged Goods

The shipping company is responsible for any damage that occurs after it takes physical custody of the products. Therefore, it is important that the damage is reported promptly in order to allow Cerule to file a claim with the shipper. The purchaser of Company products who receives damaged goods shall comply with the following procedures:

- Accept delivery.
- Where possible, before the driver leaves, note on the delivery receipt the number of boxes that appear to be damaged and require the driver to acknowledge the damage in writing.
- Save the damaged products or boxes for inspection by the shipping agent.
- Contact Cerule Support Department to arrange for a replacement order to be shipped and a damaged goods claim to be filed.

10.20 Price Changes

Cerule will endeavor to provide advance notice of price changes, however, reserves the right to change prices for the Company's products, services and literature without prior notice.

10.21 Receipts, Retail Pricing

IBO will provide all retail purchasers of the Company products with written receipts. Although the Company provides a suggested retail price as a guideline, IBO may sell the Company products at whatever retail price they and their customers may agree upon

10.22 Sales Tax. To ensure compliance with the sales and use tax requirement of each state, unless required otherwise by state law, the Company may, at its option, collect and remit all applicable sales and use taxes on products, promotional materials and services sold to IBOs and retail customers based on the suggested retail price of the product. The applicable rate of tax due shall be based on the address to which the product and/or material are shipped. If a IBO requests a tax exempt purchase for products purchased for resale (not for personal use), IBO shall provide the Company with a true and correct copy of a current resale certificate from the applicable state.

10.23 Shipping Loss

The Company will track all deliveries shipped. IBOs should contact the Company immediately upon being made aware of any shipping discrepancy.

10.24 Inaccurate Delivery

If a product is shipped in error by the Company, the unordered merchandise may be returned at the Company's expense provided the following steps are taken:

- IBO or retail customer notifies the Company within five (5) days of receipt of the order;
- A copy of the shipping or packing slip shall be enclosed with the proper forms required by the Company completed and executed by IBO or retail customer; and
- Products shall be returned in original containers and shall be packed properly to prevent damage in return shipment.

- 10.25 **Refused Shipments**
Should IBO refuse delivery on any order placed with the Company, the Company shall have the right to place IBO in suspension pending resolution of the refusal of delivery. Neither IBO nor a retail customer shall refuse any shipment from the Company unless prior approval of the Company has been obtained. Should the receiving party of any order shipped from the Company refuse to accept delivery and the shipment is returned to the Company, the ordering IBO's status will be suspended pending resolution of the delivery refusal. Non-accepted delivery charges will be debited to IBO's account. If the Company determines that a valid reason exists for refusing shipment, it will instruct the IBO or retail customer on the proper procedure for a return.
- 10.26 **Retail Outlets**
The integrity of the Company's marketing plan is built upon person-to-person, one-on-one, and in-home presentation methods of sale. Selling Company products through any chain of retail stores, including but not limited to drugstores, pharmacies, supermarkets, health food stores, shopping mall booths and the like, or restaurants is strictly prohibited. Selling Company products by IBOs through retail outlets or professional offices that are not part of chains and are owned or operated by the IBO is acceptable upon written approval by the Company.
- 10.27 **Service-Oriented Establishments**
It is permissible to take orders for the Company products in businesses such as health spas, health resorts or similar establishments.
- 10.28 **Medical Offices**
Medical doctors and other health professionals may sell the Company products from their offices only if the doctor or health professional is a IBO.
- 10.29 **Trade Shows**
With written authorization from the Company, Company products or services and opportunity may be displayed at trade shows by IBOs. Request for participation in trade shows must be received in writing by the Company at least two weeks prior to the show. Written authorization from the Company must be received before participating in the trade show. Unless written authorization is secured from the Company, Company products or services and opportunity are the only products or services and/or opportunity that may be offered in the trade show booth. Only Company produced marketing materials may be displayed or distributed. No IBO may sell or promote the Company's products or services or business opportunity at flea markets, swap meets, or garage sales.
- 10.30 **Sales**
No IBO may export or sell directly or indirectly to others who export the Company's products, literature, sales aids or promotional material relating to the Company, its products or services or the Company's program from the United States or its possessions or territories to any other country. IBOs who choose to enroll internationally may do so only in countries in which the Company has registered to operate its business and must comply fully with the Rules of Operation of a Company IBO in that country. Any violation of this rule constitutes a material breach of this contract and is grounds for immediate termination of the IBO position.
- 10.31 **Bonus Buying Prohibited**
Bonus buying is strictly and absolutely prohibited. "Bonus buying" includes, but is not limited to the direct or indirect involvement of: (1) the enrollment of individuals or entities without the knowledge of and/or execution of an IBO Application and Agreement by such individuals or entities; (2) the fraudulent enrollment of an individual or entity as a IBO, Preferred Customer or Direct Retail Customer; (3) the enrollment or attempted enrollment of non-existent individuals or entities as IBOs, Preferred Customer or Direct Retail Customers (4) the use of a credit card by or on behalf of a IBO, Preferred Customer, or Direct Retail Customer when the IBO, Preferred Customer or Direct Retail Customer is not the account holder of such credit card; and (5) purchasing Cerule product on behalf of another IBO or Customer or under another IBO's ID, or Customer ID to qualify for commissions, bonuses or incentives.
- 10.32 **Repackaging and Relabeling Prohibited**
IBOs may under no circumstances repackage, relabel, refill or alter the labels on any Cerule products, information, materials or programs in any way. Cerule products must be sold in their original containers only and complete packaging. Such relabeling or repackaging would violate applicable laws, which could result in severe criminal penalties. IBOs should also be aware that civil liability may arise when, as a consequence of the repackaging or

relabeling of products, the person(s) using the product(s) may suffer any type of injury and / or their property is damaged.

CHAPTER ELEVEN: RETAIL CUSTOMER RETURNS

11.1 Retail Customer Guarantee

The Company offers a 100% money-back satisfaction guarantee to all retail customers within thirty (30) days of purchase. If a retail customer is dissatisfied with any of the Company products for any reason, then that retail customer may return that product in its original package and shipping containers, with original proof of purchase, to the original selling IBO for either a replacement or a full refund of the purchase price.

11.2 Warranties

Except as expressly stated herein, the Company makes no warranty or representation as to the merchantability, fitness for a particular purpose, workmanship or any other warranty concerning any product or service purchased from or through the Company. The manufacturer's warranty will be transferred to IBO.

11.3 Buyer's Right to Cancel

Federal law grants a buyer the right to cancel certain sales without penalty prior to midnight of the third business day after the transaction. This rule covers retail consumer sales of \$25.00 or more that occur away from the seller's main office. The Company sales order form contains all legally required notices. Two copies shall be given to the buyer by the IBO on every sale. In addition, the IBO shall orally inform the buyer of the three-day right to cancel at the time the buyer purchases the goods.

11.4 IBO Returns

The Company will replace returned retail product to the IBO provided the following procedures and conditions are met:

- The product shall be returned to the Company by the IBO who purchased it from the Company within sixty (60) days of the date of the original purchase.
- IBO shall obtain a return authorization number from the Company customer service department within ten (10) days of the return date to IBO and prior to returning any product.
- The product shall be received by the Company within twenty (20) days of the return date to IBO.
- The return shall be accompanied by the following:
 - A copy of the original retail sales receipt;
 - The unused portion of the product is returned in its original container, and
 - The name, address, and telephone number of the retail customer.
 - The IBO will pay the cost of shipping returned product(s)
 - The Company will replace the product, but will not refund to any IBO the purchase price of any retail customer returns
- Abuse of the return policy by IBOs may result in the suspension or termination of their account. The Company reserves the right to suspend an IBOs account should returns of more than \$500 be requested within the period of one (1) year.

11.5 Quality Control

The Company will replace, within thirty (30) days of purchase, any product found to be defective; however, no product shall be returned to the Company without prior written approval.

- a) A written replacement request shall be submitted stating the reason for the request and accompanied by a copy of the Purchase Order Form or packing slip. Product returned without prior authorization will not be accepted.
- b) The Company will provide the IBO with a return authorization number, and will instruct the IBO where to ship the product for inventory verification. Upon receipt and verification of the product, the Company will ship out replacement product as appropriate.

11.6 Termination Returns

- a) A IBO who terminates IBO's business relationship with the Company has the right to return for repurchase on commercially reasonable terms currently marketable inventory including Company produced promotional materials, sales aids and kits in possession of IBO and purchased by IBO for resale prior to the date of termination. For purposes hereof, "reasonable commercial terms" shall mean the repurchase of marketable Inventory within twelve (12) months from the IBO's date of purchase at not less than 90% of the IBO's original net cost less appropriate set-offs and legal claims, if any. In addition for purposes of this chapter, products shall not be considered "currently marketable" if returned for repurchase after the products commercially reasonable usable or shelf life period has passed (shelf life will be deemed to have passed if the product package has been opened); nor shall products be considered "currently marketable" if the Company clearly discloses to the IBO prior to purchase that the products are seasonal, discontinued, or special promotional products and are not subject to the repurchase obligation. The Company will not issue a refund nor replace any product previously certified as having been sold under the 70% Rule. No refunds will be issued unless a IBO is in strict compliance with the procedures contained herein:
- b) A written return request shall be submitted, stating the reason for the termination, the reason for the return of product and/or sales materials, and accompanied by original proof of payment and a copy of the Purchase Order Form or Packing Slip. Product returned without prior authorization will be returned to IBO;
- c) The Company will provide IBO with a return authorization number, and will instruct IBO where to ship the product for inventory verification. Upon receipt and inspection of the return, Company will process the appropriate refund for payment; and
- d) IBO shall pay the cost of return freight.
- e) All commissions, overrides, and bonuses paid to a terminated IBO as a result of any product returned upon termination shall be repaid to the Company. The Company may deduct such amounts from any commissions or other amounts owed to such IBO. All commissions, overrides, and/or bonuses paid to a IBO's upline on a returned product shall be repaid to the Company by the upline IBO.

CHAPTER TWELVE: GENERAL PROVISIONS

12.1 Indemnity Agreement

The IBO agrees to indemnify and hold harmless the Company, its shareholders, officers, directors, employees, agents and successors in interest from and against any claim, demand, liability, loss, cost or expense including, but not limited to, court costs and attorney's fees, asserted against or suffered or incurred by any of them, directly or indirectly, arising out of or in any way related to or connected with allegedly or otherwise, that IBO's (a) activities as IBO; (b) breach of the terms of the Agreement; and/or (c) violation of or failure to comply with any applicable federal, state or local law or regulation.

12.2 Other Services and Products

No products or services except for the Company's products or services shall be sold or shown at any event where the Company's product or services are sold or shown. Except as provided above, a IBO is not restricted from selling other companies' services and products that are not similar to or competitive with the products and services of the Company. However, promotion of direct sales and/or network marketing programs and/or competitive services or products with anyone are strictly prohibited.

12.3 Limit on Liability

To the extent permitted by law, the Company shall not be liable for and the IBO releases the Company from, and waives all claims for any loss of profits, indirect, direct, special or consequential damages or any other loss incurred or suffered by the IBO as a result of (a) the breach by the IBO of the Agreement and/or the terms and conditions of the Policy Manual; (b) the operation of the IBO's business; (c) any incorrect or wrong data or information provided by the IBO; (d) any copyright violation in connection with materials provided by the IBO; or (e) the failure to provide any information or data necessary for the Company to operate its business, including, without limitation, the enrollment and acceptance of the IBO into the Pay Plan or the payment of commissions and bonuses.

12.4 **Limitation of Damages**

TO THE EXTENT PERMITTED BY LAW, THE COMPANY AND ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES AND OTHER REPRESENTATIVES SHALL NOT BE LIABLE FOR, AND THE IBO HEREBY RELEASES THE FOREGOING FROM, AND WAIVE ANY CLAIM FOR LOSS OF PROFIT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES WHICH MAY ARISE OUT OF ANY CLAIM WHATSOEVER RELATING TO THE COMPANY'S PERFORMANCE, NON-PERFORMANCE, ACT OR OMISSION WITH RESPECT TO THE BUSINESS RELATIONSHIP OR OTHER MATTERS BETWEEN ANY IBO AND THE COMPANY, WHETHER SOUNDING IN CONTRACT, TORT OR STRICT LIABILITY. Furthermore, it is agreed that any damages to the IBO shall not exceed and is hereby expressly limited to, the amount of unsold Company programs, services and/or products of the Company owned by the IBO and any commissions owed to the IBO.

12.5 **Recordkeeping**

The Company encourages the IBO to keep complete and accurate records of all the IBOs' business dealings.

12.6 **Non-Solicitation**

As an inducement for the Company to enter into this Agreement and in consideration of the mutual covenants contained herein, the IBO shall not, directly or indirectly, on his or her own behalf or on the behalf of any other person or entity, solicit, induce or hire any IBO, employee, member, customer, supplier, consultant, sub-contractor or vendor of the Company.

12.7 **Amendments**

The Company reserves the right to amend the Agreement, Policy Manual, its retail prices, product availability and the Pay Plan at any time without prior notice as it deems appropriate. Amendments will be communicated to the IBO through official Company publications, by posting on the company web site, or voice and/or e-mail. Amendments are effective and binding on the IBO as of the date of issuance. In the event of any conflict between the original documents or policies and any such amendment, the amendment will control.

12.8 **Non-Waiver Provision**

No failure of the Company to exercise any power under the Policy Manual or to insist upon strict compliance by IBO with any obligation or provision herein, and no custom or practice of the parties at variance with this Policy Manual, shall constitute a waiver of the Company's right to demand exact compliance with this Policy Manual. The Company's waiver of any particular default by IBO shall not affect or impair the Company's rights with respect to any subsequent default, nor shall it affect in any way the rights or obligations of any other IBO. Nor shall any delay or omissions by the Company to exercise any right arising from a default affect or impair the Company's rights as to that or any subsequent default. Waiver by the Company can be affected only in writing by an authorized officer of the Company.

12.9 **Arbitration**

- a) Except as expressly set forth herein, all disputes, claims and controversies between the IBO and the Company relating to or arising out of the Agreement, the Pay Plan, this Policy Manual, other documents produced by the Company, or the Company's products, the rights and obligations of the IBO and the Company or any other claims or causes of action relating to the performance of any IBO under the Agreement and this Policy Manual shall be settled totally, finally and exclusively by arbitration through the Company's Alternative Dispute Resolution Procedure. A copy of the Company's ADR Procedure can be obtained from the Company by written request. No legal action can be filed in any court concerning a Dispute as defined in the ADR Procedure. The Disputes subject to arbitration include claims that IBO's termination was illegal or unlawful.
- b) Arbitration is a commonly used and accepted technique for resolving Disputes in a timely, cost-efficient manner. Any IBO who feels that his or her termination was illegal or unlawful may file a claim and initiate the arbitration process directly, or through an attorney, within six (6) months of the termination decision.
- c) Notwithstanding the foregoing, the arbitrator shall have no jurisdiction over disputes relating to the ownership, validity or registration of any mark or other intellectual property or proprietary or confidential information of the Company without the Company's prior written consent. The Company may seek any applicable remedy in any applicable forum with respect to these disputes and with respect to money owing to the Company. In addition to monetary damages, the Company may obtain injunctive relief against the IBO or the IBO's for any violation of the Agreement or misuse of the Company's trademark, copyright or confidential information policies.

- d) Nothing in this rule shall prevent the Company from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other injunctive or emergency relief available to safeguard and protect the Company's interests prior to the filing of or during or following any arbitration or other proceeding or pending the handing down of a decision or award in connection with any arbitration or other proceeding.
- e) Nothing contained herein shall be deemed to give the arbitrator any authority, power or right to alter, change, amend, modify, add to, or to subtract from any of the provisions of this Agreement.

12.10 Remedies

Any breach of the Agreement, including these Policies and Procedures, or any illegal, fraudulent, deceptive or unethical business conduct by a IBO may result, at Cerule's discretion, in one or more of the following actions:

- a) Issuance of a written warning or admonition;
- b) Issuance of a writing that directs the IBO to make immediate corrective measures;
- c) Loss of rights to one or more bonus and commission checks; in whole or in part;
- d) The withholding from a IBO's bonuses and/or commissions during the period that Cerule is investigating any conduct that allegedly violates the Agreement;
- e) Suspension of the Agreement for one or more pay periods;
- f) Cancellation of the Agreement;
- g) Cancellation of the IBO Agreement of any other household member or affiliated Individual who is in association with the breaching IBO;
- h) Any other measure expressly allowed by the Agreement of which Cerule deems necessary to implement and appropriate in order to provide a remedy for injuries caused partially or exclusively by the IBO's breach; or
- i) The commencement of legal proceedings for monetary or equitable relief or both.

Each party shall bear its own attorneys' fees and any other costs and expenses incurred in the resolution of any dispute without regard to the outcome.

12.11 Grievances and Complaints

When a IBO has a grievance or complaint with another IBO regarding any practice or conduct in relationship to their respective Cerule IBO business, the complaining IBO should first report the problem to his or her enroller who should review the matter and try to resolve it with the other party's upline enroller. If the matter cannot be resolved, it must be reported in writing to the Company.

12.12 Injunctive Relief

The IBO acknowledges that the covenants set forth in this Agreement relating to the protection of Cerule's confidential and/or proprietary information are reasonable and necessary to protect the legitimate interests of Cerule. The IBO further acknowledges that his/her breach of such covenants would cause Cerule irreparable harm, the amount and extent of which would be very difficult to estimate or ascertain. Therefore, the IBO agrees that Cerule shall be entitled, without the necessity of posting a bond or other security, to the issuance of injunctive relief to enjoin the IBO from beaching or threatening to breach such covenants. In any case, injunctive relief shall not be the exclusive remedy available to Cerule.

12.13 Entire Agreement

This Policy Manual is incorporated into the Agreement along with the Pay Plan, and constitutes the entire agreement of the parties regarding their business relationship.

12.14 Governing Law

The Agreement and this Policy Manual shall be governed by the laws of the State of Oregon and the jurisdiction of all claims arising hereunder shall be in the State of Oregon.

12.12 Force Majeure

The Company shall not be responsible for delays or failure in performance caused by circumstances beyond a party's

control, such as strikes, labor difficulties, fire, war, natural disaster, government decrees or orders, or curtailment of a party's usual source of supply.

12.13 Notice

Any communication, notice or demand of any kind whatsoever, which either the IBO or the Company may be required or may desire to give or to serve upon the other shall be in writing and delivered by electronic communication whether by telex, telegram, email or fax (if confirmed in writing sent by registered or certified mail, postage pre-paid, return receipt requested or by personal service) Any party may change its address for notice by giving written notice to the other in the manner provided in this chapter. Any such communication, notice or demand shall have deemed to have been given or served on the date personally served by personal service, on the date of confirmed dispatch if by electronic communication, or on the date shown on the return receipt or other evidence if delivery is by mail.

12.14 Severability

If under any applicable and binding law or rule of any applicable jurisdiction, any provision of the Agreement, including this Policy Manual, or any specification, standard or operating procedure which the Company has prescribed is held to be invalid or unenforceable, the Company shall have the right to modify the invalid or unenforceable provision, specification, standard or operating procedure or any portion thereof, to the extent required to be valid and enforceable, and the IBO shall be bound by any such modification. The modification will be effective only in the jurisdiction in which it is required.

12.15 Violations

It is the obligation of every IBO to abide by and maintain the integrity of this Policy Manual. If IBO observes another IBO committing a violation, such IBO should discuss the violation directly with the violating IBO. Any violations reported to the Company shall follow the Company's reporting procedures and may be reported by phone to Cerule Support Department.

CHAPTER THIRTEEN: CODE OF PROFESSIONAL ETHICS

CERULE BELIEVES THAT ITS IBOs SHOULD SUBSCRIBE TO THE PRINCIPLES OF FAIRNESS, HONESTY, INTEGRITY, AND SERVICE. THE RELATIONSHIP OF THE COMPANY TO THE IBO, THE IBO TO CUSTOMER, AND THE IBO TO OTHERS SHOULD BE PRESERVED, PROTECTED, AND PROMOTED IN ACCORDANCE WITH THE HIGHEST STANDARDS OF CONDUCT. THEREFORE, THE IBO AGREES TO ABIDE BY AND SUBSCRIBE TO THE CODE OF PROFESSIONAL ETHICS (THE "CODE OF ETHICS") CONTAINED IN THIS CHAPTER.

AS A IBO, I AGREE THAT:

- 13.1 I will be honest and fair in all my dealings while acting as a IBO of the Company.
- 13.2 I will respect the time and privacy of the people I contact to become retail customers or IBOs of the Company. I will be courteous and respectful to every person contacted in the course of my Company business.
- 13.3 I will perform all my professional activities in a manner that will enhance my reputation and the reputation of the Company.
- 13.4 I will fulfill my leadership responsibilities as an enroller, including training and otherwise supporting IBOs in my sales organization.
- 13.5 I will not engage in any deceptive or illegal practice, or any practice prohibited by the Agreement or the Policy Manual.
- 13.6 I will not make diagnostic, therapeutic or curative claims for the Company's products. I will not make any claims not contained in official Company literature. I will represent only that "each body is unique and responds uniquely to different products," remembering that even my personal experience with the product may be interpreted as an "extension of labeling claims" if I use those experiences as a sales device.
- 13.7 I will make no income claims or representations regarding the Company Pay Plan, remembering that ideal projections of the Company Pay Plan are unrealistic. No network is grown in a perfect geometric progression and therefore it is impossible to predict incomes. Further, a IBO's success depends on many variables such as the amount of time committed to his/her business and the degree of organizational ability.
- 13.8 I understand and agree that I am solely responsible for all financial and/or legal obligations incurred by me in the course of my business as a IBO of Cerule, including self-employment taxes, income taxes, sales taxes, license fees, and related personal fees.
- 13.9 I will always honor the Company's 100% satisfaction, thirty (30) day money back guarantee when dealing with my retail customers.
- 13.10 I will compete aggressively but fairly, and I will respect the professionals of other network marketing companies. I will not solicit from the proprietary rolls or "genealogical" printouts of other network marketing companies. I will not use sales materials or professional associations that may be regarded as proprietary by other companies. The Company seeks to promote the reputation of all reputable network marketing companies that are furthering the cause of personal independence for their IBOs.