



POLICIES AND PROCEDURES

Canada

1.0 INTRODUCTION

1.1 Mutual Commitment Statement

Cerule Canada Ltd (“hereafter as “Cerule,” “We,” and/or the “Company”) recognizes that in order to develop a long-term and mutually rewarding relationship with our Customers and participants (“Independent Business Owners” or “IBOs”), the Company and IBOs must respect and understand one another while directing our collective efforts towards the service and support of Cerule Customers.

- A. In the spirit of mutual respect and understanding, We pledge to:
 - I. Provide prompt, professional and courteous service and communications to all of Customers and IBOs;
 - II. Provide the highest level of quality products at fair and reasonable prices;
 - III. Exchange or refund the purchase price of any product as provided in our *Return Policy*;
 - IV. Deliver orders as promptly and accurately as possible;
 - V. Pay commissions accurately and on a timely basis;
 - VI. Expedite orders or checks if an error or mistake occurs;
 - VII. Roll out new products and programs with the input and help of IBOs;
 - VIII. Implement changes in the Compensation Plan or Policies and Procedures that affect IBOs only after having received input from IBOs;
 - IX. Support, protect and defend the integrity of the Cerule opportunity;
 - X. Offer IBOs the opportunity to grow with the Company and have such growth guided by the principles of Servant Leadership.

- B. In return, Cerule expects that its IBOs will:
 - I. Conduct themselves in a professional, honest, and considerate manner;
 - II. Present Corporate and product information in an accurate manner;
 - III. Present the Compensation Plan and Return Policy in a complete and accurate manner;
 - IV. Refrain from making any exaggerated income claims;
 - V. Fulfill leadership responsibilities through appropriate training and support of downline Customers and IBOs;
 - VI. Completely abstain from any cross-line recruiting, unhealthy competition or unethical business practices;

- VII. Provide positive guidance and advice to downline Customer and IBOs all while exercising caution to avoid interference with another's downline. As such, an IBO is discouraged from providing cross-line training to a Customer or IBO in a different organization without first obtaining the consent of applicable upline IBO;
- VIII. Support, protect, and defend the integrity of the Cerule opportunity;
- IX. Accurately complete and submit the IBO Agreement and any other requested supporting documentation in a timely manner.

1.2 Cerule Policies and Compensation Plan Incorporated into the IBO Agreement

- A. Throughout these Policies and Procedures (hereafter, "Policies"), when the term "Agreement" is used, it collectively refers to the Cerule IBO Agreement, these Policies, and the Company Compensation Plan.
- B. It is the responsibility of the Sponsoring IBO to provide the most current version of these Policies (available at www.cerule.com) and the Company Compensation Plan to each applicant prior to his, her and/or its execution of the IBO Agreement.

1.3 Purpose of Policies

- A. Cerule is a direct sales company that markets products through a network of independent business owners. To clearly define the relationship that exists between IBOs and the Company, as well as to explicitly set a standard of guidelines and procedures for acceptable business conduct, We have established these Policies.
- B. IBOs are required to comply with the following: (i) all of the terms and conditions set forth in the IBO Agreement, which the Company may amend from time to time in its sole and absolute discretion; (ii) all federal, state, provincial, territorial, and/or local laws governing his, her and/or its Cerule business; and (iii) these Policies.
- C. IBOs must review the information in these Policies carefully. Should an IBO have any questions regarding a particular policy or rule, We encourage an IBO to seek an answer from their Sponsor or any other upline IBO. If further clarification is required, the IBO may contact the Company Customer Service Department.

1.4 Changes, Amendments, and Modifications

- A. Because federal, state, and local laws, as well as the business environment, periodically change, We reserve the right to amend the Agreement and all product prices in the Company's sole and absolute discretion. Notification of these amendments shall appear in Official Company Materials. ***This provision does NOT apply to the arbitration clause found in Section 13, which can only be modified via mutual consent.***

- B. Any such amendment, change, or modification are effective immediately upon notice by any of the following methods:
 - I. Posting on the official Cerule website;
 - II. Electronic mail (e-mail); or
 - III. In writing through Company newsletters or any other Company communication channels.

1.5 Delays

The Company is not responsible for delays or failures in performance of its obligations when such failure is due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, transportation difficulties, riot, war, fire, and/or weather, curtailment of a source of supply, or government decrees or orders.

1.6 Effective Date

These Policies shall become effective as of July 6, 2019, and, at such time, shall automatically supersede any prior Policies and Procedures (the “old Policies and Procedures”). On this effective date of July 6, 2019, the old Policies and Procedures shall cease to have any force or effect.

2.0 BASIC PRINCIPLES

2.1 Becoming an Independent Business Owner (IBO)

- A. To become an IBO, an applicant must comply with the following requirements:
 - I. Be of the age of majority (not a minor) in the state of residence;
 - II. Reside or have a valid address in Canada or Company-approved territory;
 - III. Have a valid taxpayer identification number (i.e. Social Security Number, Social Insurance Number, Federal Tax ID Number, etc.); and
 - IV. Submit a properly completed and signed IBO Agreement;

Please note that the Company does not allow Cerule employees, the spouse of a Cerule employee, or any family member related to a Cerule employee and living in the same household as such Cerule employee to enroll as an IBO.

2.2 IBO Registration

- A. A prospective IBO may self-enroll on a Sponsor’s website. In such event, instead of the submission of a physically signed IBO Agreement, the Company will allow the web-enrollment of an IBO and acceptance of the IBO Agreement via the “electronic signature.” This electronic signature represents acceptance by the IBO of the terms

and conditions found in the IBO Agreement. Please note that an electronic signature constitutes a legally binding agreement between the IBO and the Company.

- B. Cerule reserves the right to require signed paperwork for any account, regardless of origin.
- C. If requested, the Company should receive the signed IBO Agreement within five (5) business days of enrollment.
- D. Signed documents, including, but not limited to, the IBO Agreement, are legally binding contracts which must not be altered, tampered with or changed in any manner after signing. False or misleading information, forged signatures or alterations to any document, including business registration forms, made after a document has been signed may lead to sanctions, up to and including involuntary termination of the IBO's business.

2.3 Rights Granted

- A. Cerule hereby grants to you a non-exclusive right, based upon the terms and conditions contained in the IBO Agreement and these Policies, the right to:
 - I. Purchase, promote and sell Cerule products; and
 - II. Sponsor new Customers and IBOs in Canada and or in any countries where Cerule may become established after the effective date of these Policies.

2.4 Identification Numbers

- A. Each IBO is required to provide his, her or its Social Insurance Number, or Federal Tax Identification Number, if located in Canada or any of its territories, on the IBO Agreement. The Company reserves the right to withhold commission payments from any IBO who fails to provide such information or who provides false information.
- B. Upon enrollment, the Company will provide an IBO a Cerule Identification Number ("ID") for purposes of the IBO's business with the Company. This number will be used to place orders, structure organizations, and track commissions and bonuses. The Company will use this number in all internal IBO transactions. Should the Company become aware of any instance in which an IBO furnished an incorrect Social Insurance Number or Federal Tax Identification Number, corresponding penalties, fines, and disciplinary measures, including possible termination of one's business, may result.

2.5 Renewals and Expiration of the IBO Agreement

- A. If an IBO allows his, her or its IBO Agreement to expire due to nonpayment of the \$30 annual renewal fee, IBO will lose any and all rights to his, her or its downline

organization unless reactivation occurs within sixty (60) days following the expiration of the Agreement.

- B. If the former IBO re-activates within the 60-day time limit, the IBO will resume the rank and position held immediately prior to the expiration of the IBO Agreement. However, such IBO's paid as level will not be restored unless he, she and/or it qualifies at that payout level in the new month. The IBO is not eligible to receive commissions for the time period that the IBO's business was expired.
- C. Any IBO who was terminated or whose Agreement has expired and lapsed the 60-day grace period is not eligible to re-apply for a Cerule business for six (6) months following the expiration of the IBO Agreement.
- D. The downline of the expired IBO will roll up to the immediate and active upline Sponsor.
- E. If an IBO has an autoship order processed each month for 12 months starting the month following his, her enrolment date the annual renewal fee will be waived.

2.6 Business Entities

- A. A corporation, partnership, LLC, or trust (collectively referred to as a "Business Entity") may apply to be a Cerule IBO. A Business Entity IBO will remain *temporary* until the Company receives all proper documents. The Business Entity must submit one of the following documents: Certificate of Incorporation, Articles of Organization, Partnership Agreement or appropriate Trust documents. We must receive these documents within ten (10) business days from the date of the signature affixed to the IBO Agreement.
- B. An IBO may change his, her or its status under the same Sponsor from an individual to a partnership, LLC, corporation, trust or from one type of business entity to another.

2.7 Independent Business Relationship; Indemnification for Actions

- A. As an IBO, you are an independent contractor, and not a purchaser of a franchise or business opportunity. Therefore, each IBO's success depends directly upon his, her or its own independent efforts.
- B. The Agreement between Cerule and its IBOs does not create an employer/employee relationship, agency, partnership, or joint venture between each other.
- C. An IBO shall not be treated as an employee of Cerule for any purposes, including, without limitation, for federal, state, or provincial tax purposes. All IBOs are responsible for paying local, state, federal, and if applicable provincial, taxes due from all compensation earned as a Cerule IBO. Any other compensation received by IBOs from the Company will be governed by applicable U.S. tax laws (or the tax laws of any other applicable jurisdiction). The IBO has no express or implied authority to bind the

Company to any obligation or to make any commitments by or on behalf of the Company. Each IBO, whether acting as management of a Business Entity or represented as an individual, shall establish his, her or its own goals, hours, and methods of operation and sale, so long as he, she or it complies with the terms of the IBO Agreement, these Policies, and all applicable state and federal laws (as well as laws of any other applicable jurisdiction).

- D. As an IBO, you are fully responsible for all your verbal and written communications made regarding Cerule products and the Compensation Plan that are not expressly contained within official Company materials. IBOs shall indemnify and hold harmless the Company, its directors, officers, employees, product suppliers and agents from any and against all liability including judgments, civil penalties, refunds, attorney fees and court costs incurred by the Company as a result of the IBO's unauthorized representations or actions. **This provision shall survive the termination of the Cerule IBO Agreement.**

2.8 Insurance

The Company encourages its IBOs to arrange insurance coverage for their business. A homeowner's insurance policy does not cover business related injuries, or the theft of, or damage to, inventory or business equipment. IBOs need to contact their insurance agent to ensure the protection of their business property. In most instances, this may be accomplished with a "Business Pursuit" endorsement to an existing homeowner's policy.

2.9 Errors or Questions

If you have questions about, or believe any errors have been made, regarding commissions, bonuses, business reports, orders, or charges, you must notify the Company in writing within thirty (30) days of the date of the error or incident in question. You agree that any such errors, omissions or problems not reported within 30 days are deemed expressly waived.

3.0 IBO RESPONSIBILITIES

3.1 Correct Addresses

- A. Prior to the shipment of any orders, it is the responsibility of the IBO to ensure the Company has the correct shipping address.
- B. An IBO will need to allow up to thirty (30) days for processing after the notice of any address change has been received by Cerule.
- C. The Company reserves the right to assess a \$20 fee for returned shipments due to an incorrect shipping address provided by the IBO or Customer.

3.2 Continuing Development Obligations

- A. Any IBO who successfully enrolls and sponsors another IBO into Cerule must provide bona fide assistance and training function to ensure his or her downline is properly operating their Cerule business. Sponsoring IBOs should have ongoing contact and communication with the IBOs in their downline organizations. Examples of communication may include, but are not limited to, newsletters, written correspondence, telephone, contact, team calls, voice-mail, e-mail, personal meetings, accompaniment of downline IBOs to Cerule-related meetings, training sessions and any other applicable functions. Successful upline IBOs also motivate and train new IBOs on product knowledge, effective sales techniques, the Company Compensation Plan, and overall compliance with and understanding of these Policies.
- B. A Sponsoring IBO should monitor his, her or its downline organizations to ensure that the IBOs within his, her or its downline do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, an IBO should be able to provide documented evidence to the Company of his, her or its ongoing fulfillment of Sponsor responsibilities.
- C. The marketing and sales of Cerule products are required activity for IBOs. This principle must be emphasized in any presentations to prospective business owners.
- D. Regardless of an IBO's level of achievement, successful IBOs continually and personally promote and effectuate sales through the acquisition and retention of new customers, through the service of existing customers, and overall through sales to Retail and Preferred Customers.
- E. Use of Sales Aids. To promote both the products and the Cerule opportunity, IBOs must use the sales aids and support materials produced by the Company. If IBOs develop their own sales aids and promotional materials, which includes any Internet advertising, notwithstanding good intentions, these sales aids and promotional materials may unintentionally violate any number of statutes or regulations affecting the Cerule business. These violations, although they may be relatively few in number, could jeopardize the Cerule opportunity for all IBOs. Accordingly, IBOs must submit all written sales aids, promotional materials, advertisements, websites and other literature to the Company for approval prior to use. Unless the IBO receives prior written Company approval to use the material, the request shall be deemed denied. All IBOs shall safeguard and promote the good reputation of the Company and its products. The marketing and promotion of the Company, the Company opportunity, the Company Compensation Plan, and Cerule products shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

3.3 Constructive Criticism; Ethics

- A. Because of the Company's desire and goal to provide its Independent Business Owners with the best products and Compensation Plan in the network marketing industry, Cerule values constructive criticism. Therefore, the Company encourages the

submission of written comments. These comments may be addressed to the Company Compliance Department.

- B. As for any IBO's negative and/or disparaging comments about Cerule, its products, or its Compensation Plan, or any disruptive behavior at Company meetings or events, serve no purpose other than to dampen the enthusiasm of other Cerule IBOs. IBOs must never belittle the Company, other IBOs, Company products, the Compensation Plan, or Company directors, officers, or employees, product suppliers or agents. Such conduct represents a material breach of these Policies and will likely lead to the issuance of sanctions the Company deems appropriate.
- C. As an IBO, you agree to the following code of ethics:**
- I. I will be honest and fair in all my dealings while acting as a IBO of the Company.
 - II. I will respect the time and privacy of the prospective customers and IBOs I contact. I will be courteous and respectful to every person contacted in the course of my business dealings.
 - III. I will perform all my professional activities in a manner that will enhance both my reputation and the reputation of the Company.
 - IV. I will fulfill my leadership responsibilities as an enroller, including training and supporting IBOs in my sales organization.
 - V. I will not engage in any deceptive or illegal practice, or any practice prohibited by the IBO Agreement or these Policies.
 - VI. I will not make diagnostic, therapeutic or curative claims for the Company's products. I will refrain from making 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 part of my sales technique.
 - VII. I will make no income claims or representations regarding the Company Compensation Plan, remembering that ideal projections of the Company Compensation Plan may not be accomplishable for everyone. No network is grown in a perfect geometric progression; 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 or its business and the degree of organizational ability.
 - VIII. 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.
 - IX. I will always honor the Company's 100% satisfaction, thirty (30) day money back guarantee when dealing with my retail customers.
 - X. I will compete aggressively but fairly, and I will respect the professionals of other network marketing companies. I will not solicit distributors from 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 look to further the cause of personal independence for their distributors.

- D. We may take appropriate action against an IBO if We determine, in the Company's sole and absolute discretion, that the IBO's conduct is detrimental, disruptive, or injurious to the Company or other Cerule IBOs.

3.4 Reporting Policy Violation

- A. An IBO who observes a policy violation by another IBO should submit a written and signed letter (e-mail will not be accepted) of the violation directly to the Company's Corporate office. The letter shall set forth the details of the incident as follows:
 - I. The nature of the violation;
 - II. Specific facts to support the allegations;
 - III. Dates;
 - IV. Number of occurrences;
 - V. Persons involved; and
 - VI. Supporting documentation
- B. Upon presentation of the matter to the Company, the incident will be thoroughly researched by the Compliance Department. If necessary, the Company will take appropriate action.
- C. This section refers to the general reporting of policy violations as observed by other IBOs for the mutual effort to support, protect, and defend the integrity of the Cerule business and the opportunity provided. If an IBO has a grievance or complaint against another IBO which directly relates to his, her or its Cerule business, strict adherence to the procedures set forth herein must occur.

3.5 Sponsorship

- A. The Sponsor is the person who introduces a Customer or IBO to Cerule, helps them complete their enrollment, and supports and trains those in their downline.
- B. The Company recognizes the Sponsor as the name(s) shown on the first:
 - I. Physically signed and submitted IBO Agreement on file; or
 - II. Electronically signed IBO Agreement from the Company website or an IBO's replicated website.
- C. An IBO Agreement that contains notations such as "by phone" or the signatures of other individuals (i.e. Sponsors, spouses, relatives, or friends) is not valid and will not be accepted by the Company.

- D. Cerule recognizes that each new prospect has the right to ultimately choose his, her or its own Sponsor, but the Company will not allow IBOs to engage in unethical sponsoring activities.
- E. All active IBOs in good standing have the right to sponsor and enroll others into Cerule. While engaged in sponsoring activities, it is not uncommon to encounter situations when more than one IBO will approach the same prospect. It is the accepted courtesy that the new prospect will be sponsored by the first IBO who presented a comprehensive introduction to the Cerule products or opportunity.
- F. A *Protected Prospect* is a guest of any IBO or Customer who attended a Cerule event or conference call. For sixty (60) days following the event, a Protected Prospect cannot be solicited or sponsored by any other Cerule IBO who attended the same event. A Cerule event can be defined as the following:
 - I. Any Company training session;
 - II. Conference call;
 - III. Fly-in meeting; or
 - IV. Presentation, including but not limited to a Company at home presentation, whether sponsored by the Company, an IBO, a Customer, or an agent or agency designated by the Company.

3.6 Cross Sponsoring Prohibition

- A. “Cross sponsoring” is defined as the enrollment into a different line of sponsorship of an individual, or Business Entity, that already has a signed IBO Agreement. Actual or attempted cross sponsoring is not allowed. If cross sponsoring is verified by the Company, sanctions up to and including termination of an IBO’s position may be imposed.
- B. The use of a spouse’s or relative’s name, trade names, assumed names, DBA names, corporation, partnership, trust, federal ID numbers, or fictitious ID numbers to evade or circumvent this policy is not permitted.
- C. This policy does not prohibit the transfer of a Cerule business in accordance with the sale or transfer policy set forth in Section 11 of these Policies.

3.7 Adherence to the Cerule Compensation Plan

- A. An IBO must adhere to the terms of the Company Compensation Plan as set forth in these Policies and as defined more fully in official Company literature. Deviation from the Compensation Plan is strictly prohibited.
- B. An IBO shall not offer the Cerule opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Company literature.

- C. An IBO shall not require or encourage a current or prospective Customer or IBO to participate in Cerule in any manner that varies from the Compensation Plan or as instructed in the official Company literature.
- D. An IBO shall not require or encourage a current or prospective Customer or IBO to make a purchase from or payment to any individual or other entity as a condition to participating in the Company Compensation Plan, other than such purchases or payments required to naturally build their business. With the exception of initial start-up costs, the Company does not require an IBO to purchase inventory to become an IBO and maintain his, her or its business.

3.8 Adherence to Laws and Ordinances

- A. Many cities and counties have laws regulating certain home-based businesses. In most cases, these ordinances do not apply to IBOs because of the nature of the business. However, IBOs must check their local laws and obey the laws that do apply.
- B. An IBO shall comply with all federal, state, provincial and local laws and regulations in conduct of his, her or its business.

3.9 Compliance with Applicable Income Tax Laws

- A. Cerule will automatically provide a complete T4A Income Tax form (nonemployee compensation) to each Canadian IBO whose earnings for the year equaled or exceeded \$500, who purchased more than \$5,000 of Cerule products for resale, or who received trips, prizes or awards valued at \$500 or more.
- B. An IBO accepts sole responsibility for and agrees to pay all federal, provincial, state, and local taxes (or the taxes of any other applicable jurisdiction) on any income generated as an IBO, and further agrees to indemnify the Company from any failure to pay such tax amounts when due.
- C. If an IBO's business is tax exempt, the Federal Tax Identification number must be provided to the Company in writing.
- D. We encourage all IBOs to consult with a tax advisor for additional information for their business.

3.10 One Cerule Business Per IBO

- A. An IBO may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one (1) Cerule business. No individual may have, operate or receive compensation from more than

one Cerule businesses. Individuals of the same family unit may enter into or have an interest in a single Cerule business. A “family unit” is defined as spouses and/or dependent children living at or doing business at the same address.

3.11 Actions of Household Members or Affiliated Parties

If any member of an IBO’s immediate household engages in any activity which, if performed by the IBO him or herself would violate any provision of the Agreement, such activity will be deemed a violation by the IBO and the Company may take disciplinary action pursuant to these Policies. Similarly, if any individual associated in any way with a corporation, partnership, LLC, trust or other entity (collectively “Business Entity”) violates the Agreement, such action(s) will be deemed a violation by the Business Entity, and the Company may take disciplinary action against the Business Entity. Likewise, if an IBO enrolls in the Cerule opportunity as a Business Entity, each affiliated party of the Business Entity shall be personally and individually bound to, and must comply with, the terms and conditions of the IBO Agreement.

3.12 Solicitation for Other Companies

- A. An IBO may participate in other direct sales, multilevel, network marketing or relationship marketing business ventures or marketing opportunities. However, during the term of this Agreement and for one (1) year thereafter, you may not recruit any of the Company’s Customers or IBOs for any other direct sales or network marketing business, unless that Customer or IBO was personally sponsored by you.
- B. The term “recruit” means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way (either directly or through a third party), another Customer or IBO to enroll or participate in any direct sales or network marketing opportunity. This conduct represents recruiting even if the IBO’s actions are in response to an inquiry made by another Customer or IBO.
- C. During the term of this Agreement and for a period of six (6) months thereafter, any Cerule IBO must not sell, or entice others to sell, any competing products or services, including training materials, to Company Customers or IBOs. Any product in the same category as Cerule products is deemed to be competing (i.e., any competing product regardless of differences in cost or quality. This provision does not apply where professional services are the primary source of revenue and the product sales are secondary (e.g., doctor’s offices, clinics, health clubs, spas and beauty salons).
- D. However, you may sell non-competing products to Cerule Customers and IBOs that you personally sponsored.
- E. An IBO may not display or bundle Cerule products, in sales literature, on a website or in sales meetings, with any other products to avoid confusing or misleading a prospective Customer or IBO into believing there is a relationship between Cerule and non-Cerule products.

- F. As an IBO, you may not offer any non-Cerule opportunity or Company products at any Cerule-related meeting, seminar or convention, or immediately following a Company event.
- G. A violation of any of the provisions in this section shall constitute unreasonable and unwarranted contractual interference between the Company and its IBOs and would inflict irreparable harm on the Cerule business. In such event, We may, at our sole discretion, impose any sanction We deem necessary and appropriate against the offending IB, including, but not limited to, termination or the pursuit of immediate injunctive relief without the necessity of posting a bond.

3.13 Presentation of the Cerule Opportunity

- A. In presenting the Cerule opportunity to potential Customers and IBOs, you are required to comply with the following provisions:
 - I. You shall not misquote or omit any significant material fact about the Compensation Plan.
 - II. You shall make it clear that the Compensation Plan is based upon sales of Cerule products to ultimate users and upon the sponsoring of other IBOs.
 - III. You shall make it clear that success can be achieved only through substantial independent efforts, hard work, and dedication.
 - IV. You shall not make unauthorized income projections, claims, or guarantees while presenting or discussing the Cerule opportunity or Compensation Plan to prospective Customers or IBOs.
 - V. You may not make any claims regarding any of the products offered by the Company, except those contained in official Company literature.
 - VI. You may not use official Company material to promote the Cerule business opportunity in any country where We have not yet established a “presence.”
- B. In an effort to conduct best business practices, We developed the Income Disclosure Statement (“IDS”). The Cerule IDS is designed to convey truthful, timely, and comprehensive information regarding the income that IBOs may earn. In order to accomplish this objective, a copy of the IDS must be presented to all prospective IBOs.

A copy of the IDS must be presented to a prospective IBO anytime the Compensation Plan is presented or discussed, or any type of income claim or earnings representation is made.

The terms “income claim” and/or “earnings representation” (collectively “income claim”) includes: (1) statements of average earnings; (2) statements of non-average

earnings; (3) statements of earnings ranges; (4) income testimonials; (5) lifestyle claims, and (6) hypothetical claims. Examples of “statements of non-average earnings” includes, “Our number one IBO earned over a million dollars last year” or “Our average ranking IBO makes five thousand per month.” An example of a “statement of earnings ranges” is “The monthly income for our higher ranking IBOs is ten thousand dollars on the low end to thirty thousand dollars a month on the high end.”

3.14 Sales Requirements are Governed by the Compensation Plan

- A. 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 Company materials and the Compensation Plan) to be eligible for bonuses, commissions and advancement to higher levels of achievement.
- B. 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 Company Compensation Plan). PV includes personal purchases by an IBO and the purchases of personally enrolled Retail/Preferred Customers. GV shall include the total PV of all IBOs in their Marketing Organization plus the IBO’s PV.
- C. 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 (4) 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 (3rd) 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.

4.0 ORDERING

4.1 General Order Policies

- A. “Bonus Buying” is strictly and absolutely prohibited. Bonus Buying includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an IBO Agreement by such individuals or Business Entities; (b) the fraudulent enrollment of an individual or entity as a Customer or IBO; (c) the enrollment or attempted enrollment of non-existent individuals or Business Entities as Customers or IBOs (“phantoms”); (d) purchasing Cerule products on behalf of another Customer or IBO, or under another Customer’s or IBO’s ID to qualify for commissions or bonuses; (e)

purchasing excessive amounts of products that one cannot reasonably consume or resell in a month; and/or (f) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions, or bonuses that is not driven by bona fide product purchases by ultimate users.

An IBO shall not use another Customer's or IBO's credit card or debit checking account to enroll in Cerule or purchase products without the account holder's *express written consent*. Such documentation must be kept by the IBO *indefinitely* in case the Company needs to reference this.

- B. Regarding an order with an invalid or incorrect payment, Cerule will attempt to contact the IBO by phone, mail or e-mail in order to obtain another form of payment. If these attempts are unsuccessful after ten (10) business days, We will cancel the order.
- C. If an IBO wants to move an order to another IBO's position, he, she or it must have prior authorization, of all the parties involved. When such an event occurs, the Company charges the IBO a \$20 processing fee.
- D. Prices are subject to change without notice.
- E. A Customer or IBO who is a recipient of a damaged or incorrect order must notify the Company within thirty (30) calendar days from receipt of the order and follow the procedures as set forth herein.

4.2 Insufficient Funds

- A. All transactions involving returned or insufficient funds through ACH or credit card, which are not resolved in a timely manner by the IBO, constitute grounds for disciplinary sanctions.
- B. If a credit card order or automatic debit is declined the first time, the Customer or IBO will be contacted for an alternate form of payment. If payment is declined a second time, the Customer or IBO may be deemed ineligible to purchase Cerule products moving forward.

4.3 Sales Tax Obligation

- A. You shall comply with all provincial and local taxes (as well as the taxes of any other applicable jurisdiction) and regulations governing the sale of Cerule products.
- B. We will collect and remit sales tax on IBO orders unless an IBO furnishes us with the appropriate Resale Tax Certificate form. When orders are placed with the Company, sales tax is prepaid based upon the suggested retail price. We will remit the sales tax to the appropriate state and local jurisdiction (as well as any other applicable jurisdiction). You may recover the sales tax when you make a sale. You are responsible for any additional sales taxes due on products marked up and sold at a higher price.
- C. Cerule encourages each IBO to consult with a tax advisor for additional information on their business.

5.0 PAYMENT OF COMMISSIONS & BONUSES

5.1 Bonus and Commission Qualifications

- A. An IBO must be active and in compliance with the IBO Agreement and these Policies to qualify for bonuses and commissions. So long as an IBO complies with the terms of the Agreement and these Policies, the Company agrees to pay IBO commissions in accordance with the Compensation Plan.
- B. We will not issue a payment to you without the receipt of a completed and signed physical IBO Agreement or an IBO Agreement via electronic signature.
- C. The Company reserves the right to postpone bonus and commission payments until such time the cumulative amount exceeds \$15. Monies not paid will be included in the next commission payment. Please note that processing fees vary based upon payment options; therefore, we may take these fees into account when we calculate commission and bonus payments.

5.2 Computation of Commissions and Discrepancies

- A. You must review your monthly statement and bonus/commission reports promptly and report any discrepancies within thirty (30) days of receipt. Upon the end of this 30-day "grace period," the Company shall consider no additional requests for commission recalculations.
- B. For additional information on the payment of commissions, please review the Company Compensation Plan.

5.3 Adjustments to Bonuses and Commissions for Returned Products

- A. Because an IBO only receives bonuses and commissions based on the actual sales of products to ultimate users, the return of products by an ultimate user results in the deduction of bonuses and commissions attributable to the IBO who received those

bonuses or commissions in the first place. Deductions will occur in the month in which the refund is given and continue every pay period thereafter until the bonus/and or commission is recovered.

- B. In the event that an IBO terminates his, her or its position and the amounts of the bonuses or commissions attributable to the returned products or services have not yet been fully recovered by the Company, the remainder of the outstanding balance may be offset against any other amounts that may be owed by the Company to the former IBO.

6.0 SATISFACTION GUARANTEED AND RETURN OF SALES AIDS

Cerule offers a one hundred percent (100%), thirty (30) day money-back guarantee for all Customers and IBOs. If a Customer purchased a product or service and is not satisfied with the product or service, the Customer may request a refund from their IBO.

6.1 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 in Resalable Condition 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 provision, Resalable Condition is defined pursuant to Section 15. No refunds will be issued unless a IBO is in strict compliance with the procedures contained herein:
 - I. 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;
 - II. 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
 - III. IBO shall pay the cost of return freight.
 - IV. 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.

6.2 Return Process

- A. All returns, whether by a Customer or IBO, must be made as follows:
 - I. Obtain Return Merchandise Authorization (“RMA”) from Cerule;
 - II. Ship items to the address provided by Company Customer Service Department when you are given your RMA.
 - III. Provide a copy of the invoice with the returned products. Such invoice must reference the RMA and include the reason for the return.
 - IV. Ship back product in manufacturer’s box exactly as it was delivered.
- B. All returns must be shipped to the Company pre-paid, as We do not accept shipping collect packages. We recommend shipping returned product by UPS or FedEx with tracking and insurance as risk of loss or damage in shipping of the returned product shall be borne solely by the Customer or IBO. If returned product is not received at the Company Distribution Center, it is the responsibility of the Customer or IBO to trace the shipment and no credit will be applied.
- C. An IBO’s return of \$500 or more of products accompanied by a request for a refund within one (1) calendar year may constitute grounds for involuntary termination.

7.0 PRIVACY POLICY

7.1 Introduction

This Privacy Policy is to ensure that all Customers and IBOs understand and adhere to the basic principles of confidentiality.

7.2 Expectation of Privacy

- A. The Company recognizes and respects the importance its Customers and IBOs place on the privacy of their financial and personal information. Cerule will make reasonable efforts to safeguard the privacy of, and maintain the confidentiality of its Customers’ and IBOs’ financial, account, and nonpublic personal information.
- B. By entering into the IBO Agreement, you authorize the Company to disclose your name and contact information to upline IBOs solely for activities related to the furtherance of the Cerule business. You hereby agree to maintain the confidentiality and security of such information and to use it solely for the purpose of supporting and servicing your downline organization and conducting your Cerule business.

7.3 Employee Access to Information

The Company limits the number of employees who have access to Customers’ and IBOs’ nonpublic personal information.

7.4 Restrictions on the Disclosure of Account Information

- A. Cerule will not share non-public personal information or financial information about current or former Customers or IBOs with third parties, except as permitted or required by laws and regulations, court orders, or to serve the Customers' and/or IBOs' interests or to enforce its rights or obligations under these Policies, the IBO Agreement or with written permission from the accountholder on file.

8.0 PROPRIETARY INFORMATION AND TRADE SECRETS

8.1 Business Reports, Lists, and Proprietary Information

- A. By completing and signing the IBO Agreement, you acknowledge that Business Reports, lists of Customer and IBOs names and contact information, and any other information which contains financial, scientific or other information both written or otherwise circulated by the Company and pertaining to Company business (collectively, "Reports"), are confidential and proprietary information and trade secrets belonging to Cerule.

8.2 Obligation of Confidentiality

- A. During the Term of the IBO Agreement and for a period of five (5) years after the termination or expiration of said Agreement, you agree not to:
 - I. Use the information in the Reports to compete with Cerule or for any purpose other than promoting your Cerule business;
 - II. Use or disclose to any person or entity any confidential information contained in the Reports, including the replication of the genealogy in another network marketing company.

8.3 Vendor and Other Business Associate's Confidentiality

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

8.4 Breach and Remedies

- A. You acknowledge that such proprietary information is of such character as to render it unique and that disclosure or use thereof in violation of this provision will result in irreparable damage to the Company and other IBOs' businesses. The Company and its IBOs will be entitled to injunctive relief or to recover damages against any IBO who violates this provision in any action to enforce its rights under this section. The

prevailing party shall be entitled to an award of attorney's fees, court costs and expenses.

8.5 Return of Materials

- A. Upon the Company's demand, any current or former IBO shall return the original and all copies of all "Reports" to Cerule together with any Company confidential information in such person's possession.

9.0 ADVERTISING, PROMOTIONAL MATERIAL, USE OF COMPANY NAMES AND TRADEMARKS

9.1 Labeling, Packaging, and Displaying Products

- A. An IBO may not re-label, re-package, refill, or alter labels of any Cerule product, information, materials or program(s) in any way. Cerule products must only be sold in their original containers shipped from the Company. Such re-labeling or re-packaging violates federal and state laws (as well as other possible jurisdictional laws that may apply), which may result in criminal or civil penalties or liability.
- B. An IBO shall not cause any Cerule product or any Cerule trade name to be sold or displayed in retail establishments except:
 - I. Where professional services are the primary source of revenue and the product sales are secondary (e.g., doctor's offices, clinics, health clubs, spas and beauty salons);
 - II. Where the retail establishment is owned or managed by the IBO and the store does not exceed \$1 million in annual gross revenue, and there are five (5) or fewer stores under common ownership of management.
- C. Cerule will permit IBOs to solicit and make Commercial Sales upon *prior written approval* from the Company. For the purpose of these Policies, the term "Commercial Sale" means the sale of:
 - I. Company products that equal or exceed \$5,000 in a single order;
 - II. Products sold to a third party who intends to resell the products to an end consumer.
- D. An IBO may sell Cerule products and display the Cerule trade name at any appropriate display booth (such as trade shows) upon *prior written approval* from the Company.
- E. Cerule reserves the right to refuse authorization to participate at any function that it does not deem a suitable forum for the promotion of its products or the Company opportunity.

9.2 Use of Company Names and Protected Materials

- A. An IBO must safeguard and promote the good reputation of the Company and its products. The marketing and promotion of the Company, the Company opportunity, the Compensation Plan, and Cerule products will be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct and practices.
- B. All promotional materials supplied or created by Cerule must be used in their original form and cannot be changed, amended or altered except with prior written approval from the Company Compliance Department.
- C. The name of Cerule LLC, Cerule International LLC, each of its products names and other names that have been adopted by the Company in connection with its business are proprietary trade names, trademarks and service marks of Cerule. As such, these marks are of great value to the Company and are supplied to IBOs for their use only in an expressly authorized manner.
- D. A Cerule IBO's use of the name "Cerule LLC", "Cerule International LLC" or "Cerule" is restricted to protect Company proprietary rights, ensuring that the Company's protected names will not be lost or compromised by unauthorized use. Use of the Company name on any item not produced by Cerule is prohibited except as follows:
 - I. [IBO's name] Cerule® Independent Business Owner.
 - II. [IBO's name] IBO of Cerule® products.
- E. Further procedures relating to the use of the Cerule name are as follows:
 - I. All stationary (i.e., letterhead, envelopes, and business cards) bearing the Cerule name or logo intended for use by the IBO must be approved in writing by the Company Compliance Department.
 - II. IBOs may not use the Company's trade name in the white pages of the telephone directory. An IBO is not permitted to list their telephone numbers under the Company's trade name without first obtaining prior written approval from the Company Compliance Department. Upon the grant of Company approval, the name shall appear as [IBO's name], IBO, Cerule®.
 - III. An IBO may not use the name "Cerule" in answering his, her or its telephone, creating a voice message or using an answering service, such as to give the impression to the caller that they have reached the corporate office. They may state, "Cerule IBO."
- F. Certain photos and graphic images used by the Company in its advertising, packaging, and websites are the result of paid contracts with outside vendors that do not extend to IBOs. If an IBO wants to use these photos or graphic images, they must negotiate individual contracts with the vendors for a fee.

- G. An IBO shall not appear on or make use of television or radio, or make use of any other media to promote or discuss Cerule or its programs or products without prior written permission from the Company Compliance Department.
- H. An IBO may not produce for sale or distribution any Company event or speech, nor may an IBO reproduce Cerule audio or video clips for sale or for personal use without prior written permission from the Company Compliance Department.
- I. We reserve the right to rescind prior approval of any sales aid or promotional material to comply with changing laws and regulations and may request the removal from the marketplace of such materials without financial obligation to the affected IBO.
- J. An IBO shall not promote non-Cerule products in conjunction with Company products on the same websites or same advertisement without prior approval from the Company Compliance Department.
- K. Claims (which include personal testimonials) as to therapeutic, curative or beneficial properties of any products offered by Cerule may not be made except those contained in official Company literature. **In particular, no IBO may make any claim that Cerule products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases.** Such statements can be perceived as medical or drug claims. Not only do such claims violate these Policies and the IBO Agreement, but also they potentially violate federal and state laws and regulations, including the federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act.

9.3 Faxes and E-mail - Limitations

- A. Except as provided in this section, an IBO may not use or transmit unsolicited faxes, email, mass email distribution, or “spamming” that advertises or promotes the operation of his, her or its Cerule business. The exceptions are:
 - I. Faxes or e-mailing any person who has given prior permission or invitation;
 - II. Faxing or e-mailing any person with whom the IBO has established a prior business or personal relationship.
- B. In all provinces (or applicable territories) where prohibited by law, an IBO may not transmit, or cause to be transmitted through a third party, (by telephone, facsimile, computer or other device), an unsolicited advertisement to any equipment, which has the capacity to transcribe text or images from an electronic signal received over a regular telephone line, cable line, ISDN, T1 or any other signal carrying device, except as set forth in this section.
- C. All faxes, e-mail or computer broadcasted documents subject to this provision shall include each of the following:

- I. A clear and obvious identification that the fax or e-mail message is an advertisement or solicitation. The words “advertisement” or “solicitation” should appear in the subject line of the message;
 - II. A clear return path or routing information;
 - III. The use of legal and proper domain name;
 - IV. A clear and obvious notice of the opportunity to decline to receive further commercial facsimile or e-mail messages from the sender;
 - V. Unsubscribe or opt-out instructions should be the very first text in the body of the message box in the same size text as the majority of the message;
 - VI. The true and correct name of the sender, valid senders fax or e-mail address, and a valid sender physical address;
 - VII. The date and time of the transmission;
 - VIII. Upon notification by recipient of his, her or its request not to receive further faxed or e-mailed documents, a Cerule IBO shall not transmit any further documents to that recipient.
- D. All e-mail or computer broadcasted documents subject to this provision shall not include any of the following:
- I. Use of any third party domain name without permission;
 - II. Sexually explicit materials.

9.4 Internet and Third-Party Website Restrictions

- A. An IBO may not use or attempt to register any of the Company trade names, trademarks, service names, service marks, product names, URLs, advertising phrases, or any derivative thereof, for any purpose including, but not limited to, Internet domain names (URL), third party websites, e-mail addresses, web pages, or blogs.
- B. An IBO may not sell Cerule products or offer the Cerule opportunity using “online auctions,” such as eBay®.
- C. All IBOs may have one (1) approved third-party website. A third-party website is a Company-approved personal website that is hosted on non-Cerule servers and has no affiliation with the Company. Any IBO who wishes to develop his, her or its own third-party website must submit a properly completed third-party website application and agreement along with the proper website registration fee and receive Company’s prior written approval before going live with such a third-party website. Third-party websites may be used to promote your business and Cerule products so long as the third-party website adheres to the Company’s advertising policies. Moreover, no orders may be placed through third-party websites, and no enrollments may occur through a third-party website. If you wish to use any third-party website, you must do the following:
 - a. Identify yourself as an IBO for Cerule;
 - b. Use only the approved images and wording authorized by the Company;

- c. Adhere to the branding, trademark, and image usage policies described in this document.
 - d. Adhere to any other provision regarding the use of a third-party website described in this document;
 - e. Agree to give the Company Compliance Department access to the third-party website and, if the website is password protected, provide passwords or credentials allowing unlimited access.
 - f. Agree to modify your website to comply with current or future Company policies.
- D. All marketing materials used on an IBO's third-party website must be provided by the Company or approved in writing by the Company Compliance Department.
- E. To avoid confusion, the following three elements must also be prominently displayed at the top of every page of your third-party website:
- 1. The Cerule IBO Logo
 - 2. Your Name and Title
 - 3. Cerule Corporate website redirect button
- F. An IBO may not use third-party sites that contain materials copied from corporate sources (such as Company brochures, CDs, videos, tapes, events, presentations, and corporate websites). This policy ensures brand consistency, allows Customers and IBOs to stay up-to-date with changing products and information, facilitates enrollment under the correct Sponsor, and assists in compliance with government regulations.
- G. Cerule products may be displayed with other products on an IBO's third-party website so long as the other products are consistent with the Company's values and are not marketed or sold by a competing network-marketing business.
- H. If the business of an IBO who has received authorization to create and post a third-party website is voluntarily or involuntarily canceled for any reason, or if the Company revokes its authorization allowing the IBO to maintain a third-party website, the IBO shall assign the URL to his/her/its third-party website to Cerule within three (3) days from the date of the cancellation and/or re-direct all traffic to the site as directed by the Cerule. We reserve the right to revoke any IBO's right to use a third-party website at any time if We believe that such revocation is in the best interest of the Company, its other IBOs, and its Customers. Decisions and corrective actions in this area are at the sole and absolute discretion of the Company.
- I. Social Media sites may not be used to sell or offer to sell Cerule products. **PROFILES AN IBO GENERATES IN ANY SOCIAL COMMUNITY WHERE CERULE IS DISCUSSED OR MENTIONED MUST CLEARLY IDENTIFY THE IBO AS A CERULE IBO**, and when an IBO participates in those communities, IBOs must avoid inappropriate conversations, comments, images, video, audio, applications or any other adult, profane, discriminatory or vulgar content. The determination of what is inappropriate is at the

sole and absolute discretion of the Company, and offending IBOs will be subject to disciplinary action. Banner ads and images used on these sites must be current and must come from the Cerule approved library. If a link is provided, it must link to the posting IBO's replicated website or an approved third-party website.

- J. Anonymous postings or use of an alias on any Social Media site is prohibited, and offending IBOs will be subject to disciplinary action.
- K. IBO may not use blog spam, spamdexing or any other mass-replicated methods to leave blog comments. Comments IBOs create or leave must be useful, unique, relevant and specific to the blog's article.
- L. IBOs must disclose their full name on all Social Media postings, and conspicuously identify themselves as an IBO of Cerule. Anonymous postings or use of an alias is prohibited.
- M. Postings that are false, misleading, or deceptive are prohibited. This includes, but is not limited to, false or deceptive postings relating to the Cerule income opportunity, Cerule products, and/or your biographical information and credentials.
- N. IBOs are personally responsible for their postings and all other online activity that relates to the Company. Therefore, even if an IBO does not own or operate a blog or Social Media site, if an IBOs posts to any such site that relates to Cerule or which can be traced to Cerule, the IBO is responsible for the posting. IBOs are also responsible for postings which occur on any blog or Social Media site that the IBO owns, operates, or controls.
- O. As an IBO, it is important to not converse with any person who places a negative post against you, other IBOs, or the Company. Report negative posts to the Company Compliance Department. Responding to such negative posts often simply fuels a discussion with someone carrying a grudge that does not hold themselves to the same high standards as the Company, and therefore damages the reputation and goodwill of Cerule.
- P. The distinction between a Social Media site and a website may not be clear-cut, because some Social Media sites are particularly robust, Cerule therefore reserves the sole and exclusive right to classify certain Social Media sites as third-party websites and require that IBOs using, or who wish to use, such sites adhere to these policies relating to third-party websites.
- Q. If your Cerule business is cancelled for any reason, you 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 Social Media sites that you utilize. If you post on any Social Media site on which you have previously identified yourself as an IBO of Cerule, you must conspicuously disclose that you are no longer a Cerule IBO.

- R. Failure to comply with these Policies for conducting business online may result in the loss of any right to advertise and market Cerule products and the business opportunity online, in addition to any other disciplinary action available under these Policies.
- S. Cerule has an official public Facebook page which it uses to invite potential customers and prospective participants 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.

9.5 Advertising and Promotional Materials

- A. You may not advertise any Cerule products at a price LESS than the highest company published, established retail price (plus shipping, handling and applicable taxes). No special enticement advertising is allowed. This includes, but is not limited to, offers of free membership, free shipping, or other such offers that grant advantages beyond those available through the Company.
- B. Advertising and all forms of communications must adhere to principles of honesty and propriety.
- C. All advertising, including, but not limited to, print, Internet, computer bulletin boards, television, radio, etc., are subject to prior written approval by the Company Compliance Department.
- D. All requests for approvals with respect to advertising must be directed in writing to the Company Compliance Department.
- E. Cerule approval is not required to place blind ads that do not mention the Company, its employees, any of its products, designs, symbols, programs, and trademarked, copyrighted, or otherwise protected materials.
- F. We reserve the right to rescind prior approval of submitted advertising or promotional materials in order to comply with changing laws and regulations, and may require the removal of such advertisements from the marketplace without obligation to the affected IBO.

9.6 Testimonial Permission

- A. By signing the IBO Agreement, you give Cerule permission to use your testimonial or image and likeness in corporate sales materials, including but not limited to print media, electronic media, audio and video. In consideration of being allowed to

participate in the Cerule opportunity, you waive any right to be compensated for the use of your testimonial or image and likeness even though the Company may be paid for items or sales materials containing such image and likeness. In some cases, your testimonial may appear in another IBO's advertising materials. If an IBO does not wish to participate in Cerule sales and marketing materials, you should provide a written notice to the Company Compliance Department to ensure that your testimonial image and likeness will not be used in any corporate materials, corporate recognition pieces, advertising or recordings of annual events.

9.7 Telemarketing - Limitations

- A. A Cerule IBO must not engage in telemarketing in relation to the operation of the IBO's Cerule business. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of Cerule products or to recruit them for the Cerule opportunity.
- B. The Canadian Radio and Telecommunications Commission ("CRTC"), the Federal Trade Commission ("FTC") and the Federal Communications Commission ("FCC") each have laws that restrict telemarketing practices. Federal agencies, as well as a number of provinces have "do not call" regulations as part of their telemarketing laws.
- C. While an IBO may not consider themselves a "telemarketer" in the traditional sense, these regulations broadly define the term "telemarketer" and "telemarketing" so that the unintentional action of calling someone whose telephone number is listed on the Federal "Do Not Call" list could cause the IBO to violate the law. These regulations must not be taken lightly, as they carry significant penalties (up to \$11,000 per violation). More information on the Do Not Call List can be found here - <https://Inntedncl.gc.ca/en>
- D. "Cold calls" or "state-to-state calls" made to prospective Customers or IBOs that promote either Cerule products or the Cerule opportunity is considered telemarketing and is prohibited.
- E. Exceptions to Telemarketing Regulations

A Cerule IBO may place telephone calls to prospective Customers or IBOs under the following limited situations:

- I. If the IBO has an established business relationship with the prospect;
- II. In response to the prospect's personal inquiry or application regarding a product offered by the Cerule IBO within three (3) months immediately before the date of such a call;
- III. If the IBO receives written and signed permission from the prospect authorizing the IBO to call;
- IV. If the call is to family members, personal friends, and acquaintances. However, if an IBO makes a habit of collecting business cards from everyone he/she/it

meets and subsequently calls them, the FTC may consider this a form of telemarketing that is not subject to this exemption;

- V. IBOs engaged in calling “acquaintances,” must make such calls on an occasional basis only and not as a routine practice.
- F. An IBO shall not use automatic telephone dialing systems in the operation of his, her or its business.
- G. Failure to abide by the Company policies or regulations as set forth by the CRTC, FTC and FCC regarding telemarketing may lead to sanctions against the IBO’s position, up to and including termination of the position.
- H. By signing the IBO Agreement, or by accepting commission checks, other payments or awards from Cerule, an IBO gives permission to Cerule and other IBOs to contact them as permitted under the Federal Do Not Call regulations.
- I. In the event an IBO violates this section, We reserve the right to institute legal proceedings to obtain monetary or equitable relief.

10.0 INTERNATIONAL MARKETING

10.1 International Marketing Policy

- A. A Cerule IBO is authorized to sell Cerule products to Customers and IBOs only in the countries in which Cerule is authorized to conduct business, according to the specific Policies and Procedures of each country. IBOs may not sell products in any country where Cerule products have not received applicable government authorization or approval.
- B. An IBO may not, in any unauthorized country, conduct sales, enrollment or training meetings, enroll or attempt to enroll potential Customers or IBOs, nor conduct any other activity for the purpose of selling Cerule products, establishing a sales organization, or promoting the Cerule business opportunity.

11.0 CHANGES TO AN IBO’S BUSINESS

11.1 Modification of the IBO Agreement

- A. A Cerule IBO may modify his, her or its existing IBO Agreement (i.e., change a social insurance number or a Federal ID number, the addition of a spouse or partner to the account, or a change to the form of ownership from an individual to a Business Entity owned by the IBO) by submitting a written request, accompanied by a new IBO Agreement and the Business Registration Form, if applicable, completed with fresh signatures (not a “crossed out” or “white-out” version of the first Agreement), and any appropriate supporting documentation.

11.2 Enroller Change or Placement for Active IBOs

- A. Maintaining the integrity of the organizational structure is mandatory for the success of Cerule and our IBOs. As such, Cerule strongly discourages changes in enrollers or Sponsors. As a result, 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 include a reason for 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:
- I. 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.
 - II. 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.

11.3 Unethical Sponsoring

- A. Unethical sponsoring activities include, but are not limited to, enticing, bidding or engaging in unhealthy competition in trying to acquire a prospect or new IBO from another IBO or influencing another IBO to transfer to a different sponsor.
- B. Allegations of unethical sponsoring must be reported in writing to the Company Compliance Department within the first 90 days of enrollment. If the reports are substantiated, We may transfer the IBO or the IBO's downline to another sponsor without approval from the current up-line Sponsor. We remain the final authority in such cases.

- C. Cerule prohibits the act of “Stacking.” Stacking is the unauthorized manipulation of the Company compensation system and/or the marketing plan in order to trigger commissions or cause a promotion off a downline IBO in an unearned manner. One example of stacking occurs when a Sponsor places participants under an inactive downline without his, her or its knowledge in order to trigger unearned qualification for commissioning. Stacking is unethical and unacceptable behavior, and as such, it is a punishable offense with measures up to and including the termination of the independent consultant positions of all individuals and/or entities found to be directly involved.
- D. Should IBOs engage in solicitation and/or enticement of members of another direct sales company to sell or distribute Cerule products to, they bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration, or mediation is brought against an IBO alleging that they engaged in inappropriate recruiting activity of another company’s sales force or Customers, We will not pay any of IBO’s defense costs or legal fees, nor will We indemnify the IBO for any judgment, award, or settlement.

11.4 Sell, Assign or Delegate Ownership

- A. In order to preserve the integrity of the hierarchical structure, it is necessary for the Company to place restrictions on the transfer, assignment, or sale of a position.
- B. A Cerule IBO may not sell or assign his, her or its rights or delegate his, her or its position as an IBO without *prior written approval* by the Company, which approval will not be unreasonably withheld. Any attempted sale, assignment, or delegation without such approval may be voided at the discretion of the Company.
- C. Should the sale be approved by Cerule, the Buyer assumes the position of the Seller at the current qualified title, but at the current “paid as” rank, at the time of the sale and acquires the Seller’s Downline.
- D. To request corporate authorization for a sale or transfer of a Cerule business, the following items must be submitted to the Company Compliance Department:
 - I. The Seller 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 Buyer, the purchase price and terms of purchase and payment;
 - II. A transfer fee of \$50.00 shall accompany the transfer documents;
 - III. The documents shall contain a covenant made by the Seller for the benefit of the Buyer not to compete with the Buyer or attempt to divert or enroll any existing IBO of the Company for a period of six (6) months from the date of the sale or transfer; and
 - IV. Upon a sale, transfer or assignment being approved in writing by the Company, the Buyer shall assume the position of the Seller and shall execute

a current Agreement and all such other documents as may be reasonably required by the Company.

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.

- E. Any debt obligations that either Seller or Buyer may have with Cerule must be satisfied prior to the approval of the sale or transfer.
- F. An IBO who sells his or her position is not eligible to re-enroll as a Cerule IBO in any organization for six (6) full calendar months following the date of the sale except as otherwise expressly set forth in these Policies.

11.5 Separating a Cerule Business

- A. Pending a divorce or dissolution of a partnership or other business entity, the parties must adopt one of the following methods of operation:
 - I. One of the parties may, with the written consent of the other(s), operate the business whereby the relinquishing spouse, shareholders, partners, members or trustees authorize the Company to deal directly and solely with the other spouse, non-relinquishing shareholder, partner, member or trustee;
 - II. The parties may continue to operate the business jointly on a “business as usual” basis, whereupon all compensation paid by the Company will be paid in the name designated as the IBOs or in the name of the entity to be divided, as the parties may independently agree between them. If no name is stipulated, Cerule will pay compensation to the name on record and in such event, the IBO named on the account shall indemnify the Company from any claims from the other business owner(s) or the other spouse with respect to such payment.
- B. Cerule recognizes only one Downline organization and will issue only one commission check per Cerule business per commission cycle. Under no circumstances will the Downline of an organization be divided, nor will the Company split commission and/or bonus checks.

11.6 Succession

- A. Upon the death or incapacity of an IBO, the IBO’s business may be passed on to his or her legal successors in interest (successor). Whenever a Cerule business is transferred by will or other testamentary process, the successor acquires the right to collect all bonuses and commissions of the deceased IBO’s sales organization. The successor must:
 - I. Complete and sign a new IBO Agreement;

- II. Comply with the terms and provisions of the IBO Agreement; and
 - III. Meet all of the qualifications for the last rank achieved by the former IBO.
- B. Bonus and commission checks of a Cerule business transferred based on this section will be paid in a single check to the successor. The successor must provide the Company with an “address of record” to which all bonus and commission payments will be sent. Payments will be based on the current performance of the position, not the highest rank or volume achieved.
- C. If the business is bequeathed to joint devisees (successors), they must form a business entity and acquire a Federal taxpayer identification number. We will issue all bonus and commission payments and one 1099 Miscellaneous Income Tax form to the managing business entity only.
- D. Appropriate legal documentation must be submitted to the Company Compliance Department to ensure the transfer is done properly. To affect a testamentary transfer of a Cerule business, the successor must provide the following to the Company Compliance Department:
- I. A certified copy of the death certificate; and
 - II. A notarized copy of the will or other appropriate legal documentation establishing the successor’s right to the Cerule business.
- E. To complete a transfer of the Cerule business because of incapacity, the successor must provide the following to the Company Compliance Department:
- I. A notarized copy of an appointment as trustee;
 - II. A notarized copy of the trust document or other appropriate legal documentation establishing the trustee’s right to administer the Cerule business; and
 - III. A completed IBO Agreement executed by the trustee.
- F. If the successor is already an existing IBO, Cerule will allow such IBO to keep his or her own position plus the inherited position active for up to six (6) months. By the end of the 6-month period, the IBO must have compressed (if applicable), sold or otherwise transferred either the existing position or the inherited position.
- G. If the successor wishes to terminate the Cerule position, he or she must submit a notarized statement stating the desire to terminate the position, along with a certified copy of the death certificate, appointment as trustee, and/or any other appropriate legal documentation.
- H. Upon written request, Cerule may grant a one (1) month bereavement waiver and pay out at the last “paid as” rank.

11.7 Resignation/Voluntary Termination

- A. An IBO may immediately terminate his or her position by failing to renew one's business within the grace period or submission of a written notice or email to the Company Compliance Department compliance. The written notice must include the following:
 - I. The IBO's intent to resign;
 - II. Date of resignation;
 - III. IBO ID;
 - IV. Reason for resigning; and
 - V. Signature.
- B. A Cerule IBO may not use resignation as a way to immediately change Sponsor. Instead, the IBO who has voluntarily resigned is not eligible to reapply for a position or have any financial interest in a or any Cerule business for six (6) months from the receipt of the written notice of resignation.

11.8 Involuntary Termination

- A. We reserve the right to terminate an IBO's position for, but not limited to, the following reasons:
 - I. Violation of any terms or conditions of the IBO Agreement;
 - II. Violation of any provision in these Policies;
 - III. Violation of any provision in the Compensation Plan;
 - IV. Violation of any applicable law, ordinance, or regulation regarding the Cerule business;
 - V. Engaging in unethical business practices or violating standards of fair dealing; or
 - VI. Returning over \$500 worth of products, services and/or sales tools for a refund within a twelve (12) month period.
- B. Cerule will notify the IBO in writing *by either email or certified mail* at his, her or its last known address of its intent to terminate the IBO's position and the reasons for termination.
- C. Immediately upon termination, the terminated IBO:
 - I. 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;
 - II. Shall cease representing themselves as a IBO of the Company;
 - III. Shall lose all rights to IBO's position and position in the Compensation Plan and to all future commissions and bonuses resulting there from; and
 - IV. Shall take all action reasonably required by the Company relating to protection of its confidential information.

- D. An IBO who is involuntarily terminated by the Company may not reapply for a position, either under his, her or its present name or any other name or entity, without the *express written consent of an officer of the Company*, following a *review by the Company Compliance Committee*. In any event, such IBOs may not re-apply for a position for twelve (12) months from the date of termination.

11.9 Effect of Cancellation

- A. Following an IBO's voluntary resignation or termination (collectively, a "cancellation") such IBO:
- I. Shall have no right, title, claim or interest to any commission or bonus from the sales generated by the IBO's former organization or any other payments in association with the IBO's former independent position;
 - II. Effectively waives any and all claims to property rights or any interest in or to the IBO's former Downline organization;
 - III. Shall receive commissions and bonuses only for the last full pay period in which he or she was active prior to cancellation, less any amounts withheld during an investigation preceding an involuntary cancellation, and less any other amounts owed to the Company.

12.0 DISCIPLINARY SANCTIONS

12.1 Imposition of Disciplinary Action - Purpose

- A. It is the spirit of the Company that integrity and fairness should pervade among its IBOs, thereby providing everyone with an equal opportunity to build a successful business. Therefore, We reserve the right to impose disciplinary sanctions at any time, when we determine that an IBO has violated the Agreement, any of these Policies, or the Compensation Plan as they may be amended from time to time.

12.2 Consequences and Remedies of Breach

- A. Disciplinary actions may include one or more of the following:
- I. Monitoring an IBO's conduct over a specified period of time to assure compliance;
 - II. Issuance of a written warning or requiring the IBO to take immediate corrective action;
 - III. Imposition of a fine (which may be imposed immediately or withheld from future commission payments) or the withholding of commission payments ("Commission Hold") until the matter causing the Commission Hold is resolved or until the Company receives adequate additional assurances from the IBO to ensure future compliance;

- IV. Suspension from participation in Company or IBO events, rewards, or recognition;
- V. Suspension of the Cerule IBO Agreement and position for one or more pay periods;
- VI. Involuntary termination of the IBO's Agreement and position;
- VII. Any other measure which the Company deems feasible and appropriate to justly resolve injuries caused by the IBO's policy violation or contractual breach;
OR
- VIII. Legal proceedings for monetary or equitable relief.

13.0 DISPUTE RESOLUTION

13.1 Grievances

- A. If an IBO has a grievance or complaint against another IBO regarding any practice or conduct relating to their respective Cerule businesses, he or she is encouraged to resolve the issue directly with the other party. If an agreement cannot be reached, it must be reported directly to the Company Compliance Department as outlined below in this Section.
- B. The Company Compliance Department will be the final authority on settling such grievance or complaint and its written decision shall be final and binding on the IBOs involved.
- C. We will confine our involvement to disputes regarding Cerule business matters only. We will not decide issues that involve personality conflicts or unprofessional conduct by or between IBOs outside the context of a Cerule business. These issues go beyond the scope of the Company and may not be used to justify a Sponsor change.
- D. We do not consider, enforce, or mediate third party agreements between IBOs, nor do we provide names, funding, or advice for obtaining outside legal counsel.
- E. Process for Grievances:
 - I. The IBO should submit a written letter or e-mail of complaint directly to the Company Compliance Department. The letter shall set forth the details of the incident as follows:
 - a. The nature of the violation;
 - b. Specific facts to support the allegations;
 - c. Dates;
 - d. Number of occurrences;
 - e. Persons involved; and
 - f. Supporting documentation.

- II. Upon receipt of the written complaint, We will conduct an investigation according to the following procedures:
 - a. The Company Compliance Department will send an acknowledgment of receipt to the complaining IBO;
 - b. The Company Compliance Department will provide a verbal or written notice of the allegation to the IBO under investigation;
 - c. The Company Compliance Department will thoroughly investigate the complaint, consider all the submitted information it deems relevant, including information from collateral sources. Due to the unique nature of each situation, determinations of the appropriate remedy will be on a case by case basis, and the length of time to reach a resolution will vary.
 - d. During the course of the investigation, the Company Compliance Department will only provide periodic updates simply stating that the investigation is ongoing. No other information will be released during this time. IBO calls, letters, and requests for “progress reports” during the course of the investigation will not be answered or returned.
- F. We will make a final decision and timely notify the IBOs involved.

13.2 Arbitration

- A. **Any controversy or claim arising out of or relating to the Cerule IBO Agreement, these Policies, or the breach thereof, the IBO’s business or any dispute between the Company and the IBO, shall be settled by binding and confidential arbitration administered by the Canadian Arbitration Association under its commercial arbitration rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.** Any such arbitration shall be held in Vancouver, Canada. There shall be one arbitrator, who shall have expertise in business law transactions and who shall be knowledgeable in the direct selling industry, selected from a panel provided by the Canadian Arbitration Association.
- B. The prevailing party in any such arbitration shall be entitled to receive from the losing party, all costs and expenses of arbitration, including reasonable attorney’s fees and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to judgment in any court of competent jurisdiction.
- C. This agreement to arbitration shall survive any termination or expiration of the IBO Agreement.
- D. Nothing in these Policies shall prevent Cerule from applying for or obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction, or other relief available to safeguard and protect Company interests or its Confidential Information prior to, during or following the filing of an arbitration or other proceeding, or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

- E. **NO CLASS ACTION, OR OTHER REPRESENTATIVE ACTION OR PRIVATE ATTORNEY GENERAL ACTION OR JOINDER OR CONSOLIDATION OF ANY CLAIM WITH A CLAIM OF ANOTHER PERSON OR CLASS OF CLAIMANTS SHALL BE ALLOWABLE.**
- F. These Policies and any arbitration involving an IBO and Cerule shall be governed by and construed in accordance with the laws of the province of British Columbia, without reference to its principles of conflict of laws.

13.3 Severability

- A. If any provision of these Policies is found to be invalid, or unenforceable for any reason, only the invalid provision shall be severed. The remaining terms and provisions hereof shall remain in full force and shall be construed as if such invalid or unenforceable provision never had comprised a part of these Policies.

13.4 Waiver

- A. Only an officer of Cerule can, in writing, affect a waiver of the Company Policies and Procedures. The Company's waiver of any particular breach by an IBO shall not affect the Company's rights with respect to any subsequent breach, nor shall it affect the rights or obligations of any other IBO.
- B. The existence of any claim or cause of action of an IBO against the Company shall not constitute a defense to the Company's enforcement of any term or provision of these Policies and Procedures.

13.5 Successors and Claims

The agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

14.0 GOVERNING LAW

These Policies shall be governed by and construed in accordance with the Laws of the province of British Columbia and the exclusive jurisdiction of the Canadian courts.

15.0 CERULE GLOSSARY OF TERMS

ACTIVE IBO: An IBO who satisfies the minimum volume requirements, as set forth in the Compensation Plan, to ensure that they are eligible to receive bonuses and commissions.

AGREEMENT: The contract between the Company and each IBO, which includes the IBO Agreement, the Policies and Procedures, and the Company Compensation Plan, all in their current form and as amended by Cerule in its sole discretion. These documents are collectively referred to as the "IBO Agreement" or just "Agreement."

CANCEL: The termination of an IBO's business. Cancellation may be either voluntary, involuntary, or through non-renewal.

COMPENSATION PLAN: The guidelines and referenced literature for describing how IBOs can generate commissions and bonuses.

CUSTOMER: A Customer who purchases Cerule products and does not engage in building a business or retailing product.

INDEPENDENT BUSINESS OWNER ("IBO"): An individual who purchases product, generates retail sales and business building commissions.

LINE OF SPONSORSHIP (LOS): A report generated by the Company that provides critical data relating to the identities of IBOs, sales information, and enrollment activity of each IBO's organization. This report contains confidential and trade secret information which is proprietary to Cerule.

ORGANIZATION: The Customers and IBOs placed below a particular IBO.

OFFICIAL COMPANY MATERIAL: Literature, audio or video tapes, and other materials developed, printed, published, and distributed by Cerule to its IBOs.

PLACEMENT: Your position inside your Sponsor's organization.

RECRUIT: For purposes of the Company's Conflict of Interest Policy, the term "Recruit" means the actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another Cerule Customer or IBO to enroll or participate in another multilevel marketing, network marketing, or direct sales opportunity.

RESALABLE CONDITION: Products shall be deemed in "resalable condition" if each of the following elements are satisfied: (1) they are unopened and unused; (2) original packaging and labelling has not been altered or damaged; (3) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; and (4) the product contains current Cerule labelling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resalable.

SPONSOR: An IBO who enrolls a Customer or another IBO into the Company, and is listed as the Sponsor on the IBO Agreement. The act of enrolling others and training them to become IBOs is called "sponsoring."

UPLINE: This term refers to the IBOs or IBOs above a particular IBO in a sponsorship line up to the Company. It is the line of sponsors that links any particular IBO to the Company.