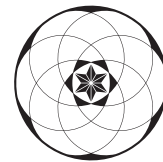


## Policies and Procedures Winter 2004

The most recent and applicable  
Policies and Procedures will be  
posted on our website:

**[www.xango.net](http://www.xango.net)**





# Policies & Procedures

*Individuals who desire to enroll as Independent Distributors: Please read these documents carefully, and apply only after you fully understand and agree to these documents. Each country may have Policies and Procedures that apply to that particular country. Distributors should be familiar with the Policies and Procedures applicable to the country within which they reside.*

## Policies & Procedures

XanGo™, LLC is a network marketing company which honors these Policies and Procedures as outlined. This document is an integral part of the Distributor agreement. It was created to protect the rights of all Distributors and to provide a framework within which each Distributor may work on an ethical, secure and effective basis. *This document must be read in its entirety. Distributors must be intimately familiar with these Policies and Procedures in order to assure compliance with all requirements set forth.*

Distributors must not rely upon the opinion of any employee of the Company for interpretation of the Policies and Procedures. If a Distributor has a question regarding interpretation of these Policies and Procedures, such questions must be directed to the Compliance Division. Distributors may rely only upon the opinion of the Compliance Division in interpreting these Policies and Procedures. Any requests for exceptions to these Policies and Procedures must be directed *only* to the Compliance Division. The Policies and Procedures set forth below shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of these Policies and Procedures, or the application thereof to any person or any circumstance, is invalid or unenforceable, (i) a suitable and equitable provision shall be substituted therefore in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (ii) the remainder of these Policies and Procedures and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any jurisdiction. *The most recent and applicable Policies and Procedures will be posted on the Company website at:*

You may direct your Compliance Division inquiries or reports by e-mail to [compliance@xango.net](mailto:compliance@xango.net) or by facsimile to (801) 816-8099.

*The Policies and Procedures posted on the Company website will be enforced from the date of posting. Therefore, Distributors must continually refer to the website for the most recent Policies and Procedures. It is recommended that Distributors refer to the website each month in order to check for updates.*

### A. Purpose of these Guidelines:

XanGo™ (herein referred to as "the Company") has developed these Policies and Procedures to assist in the success of the company and the success of its Independent Distributors. This is accomplished in several ways:

- **A-1** By providing equal opportunity for rewards through the compensation plan.
- **A-2** By explaining and defining the compensation plan for Independent Distributors and by providing details of the plan.
- **A-3** By defining the contractual relationships between the company and its Distributors.
- **A-4** By helping to bring the company's programs into compliance with regulatory requirements, and by providing to appropriate agencies specifics about the program.
- **A-5** By providing to its Independent Distributors a guide that informs them of the things they must do, and the things they can avoid.
- **A-6** By establishing a basis for problem solving between Distributors and the company.

# Policies & Procedures

## B. Code of Ethics

*Ethical Standards.* All Independent Distributors agree to conduct their businesses according to the high standards of our Code of Ethics

Distributor hereby agrees as follows:

- **B-1** I will use the highest standards of honesty and integrity in my conduct relating to all my business dealings.
- **B-2** I will always strive to do things in such fashion that will lead to a positive result for other Distributors, customers, the Company, as well as for myself.
- **B-3** I'll strive to make service the key principle of my XanGo™ business, helping customers and other distributors alike.
- **B-4** I will follow the Company Policies and Procedures, giving effort to follow the spirit as well as the letter of the Policies and Procedures.
- **B-5** I will fulfill my responsibilities as a sponsor, realizing that my success is directly related to my ability to sell XanGo products and to helping others to the same.
- **B-6** I will demonstrate the highest standards of professionalism in my XanGo™ business, building my own good reputation, as well as that of the company and my sponsor and the industry as a whole.
- **B-7** I will honor all proprietary interests from other companies and not breach any covenants or agreements or violate any state or federal guidelines or laws.
- **B-8** I will truthfully identify myself, my company, the products and the purposes of any solicitation, to the prospective customer. Contact with the customer will be made in a reasonable manner and during reasonable hours so as to avoid intrusiveness. I will

discontinue a sales presentation upon the request of the consumer.

- **B-9** I will offer products for sale in an accurate and truthful manner as to price, grade, quality, make, value, performance, quantity, currency and availability.
- **B-10** I will not make misrepresentations as to the actual or potential sales or earnings potential of Distributors. Any earnings or sales representations that are made will be based only on documented facts. I will not make medical claims relating to the products offered by the Company.
- **B-11** I will not require or encourage an Independent Distributor to purchase inventory in an amount that unreasonably exceeds that which can be expected to be resold and/or consumed within a reasonable period of time.
- **B-12** I will understand and comply with the most current established Policies and Procedures.

## C. Program Definitions

Many organizations and industries have special vocabularies. Our company and industry are no exception. As you master these terms, all participants will be able to communicate with increased effectiveness.

- **C-1 Distributor:** An independent contractor who is authorized to sell company products and services, and to participate in the company's compensation plan, as qualified regardless of level attained in the plan.
- **C-2 Company:** XanGo™, a Utah LLC, the corporate entity, or any assignee or successor corporation in a various geographic location.
- **C-3 Sponsor:** Any Distributor who has enrolled another Distributor in the XanGo™ program, and is responsible for training, support, etc.

# Policies & Procedures

- **C-3a Placement Upline or Placement Sponsor** (does not apply when placement function isn't utilized): A Distributor who was placed somewhere in the downline of the Sponsor will be considered front line to the Placement Upline or Placement Sponsor.
- **C-3b Front Line:** A Distributor who appears on the first level of your genealogy, either through personal sponsorship or placement.
- **C-4 Upline:** The single line of sponsors above a Distributor and between the Distributor and the company.
- **C-5 Downline:** All Distributors emanating from and below any particular Distributor.
- **C-6 Leg:** The downline of any directly sponsored Distributor (There may be multiple legs sponsored by a Distributor).
- **C-7 Group Product Volume (GPV):** A Distributor's total downline commissionable volume.
- **C-8 Product Volume (PV):** The amount of value assigned to each product for the calculation of commissions, level achievements, bonuses and the like.
- **C-9 Wholesale (Distributor Cost):** The price the Company charges Distributors for products.
- **C-10 Suggested Retail Price (SRP):** The price the Company recommends Distributors charge their Non-Distributor Sales customers for company products and services. Distributors are under no obligation to accept the suggested retail prices and would in no way suffer in their business relations with the Company or with any other person if they failed to accept the suggested retail prices.
- **C-11 Non Distributor Sales Profit:** The difference between the wholesale price a Distributor pays to the Company for an item, and the retail price the Distributor charges his customers for the item.
- **C-12 Powerstart:** Compensation paid to Sponsor on personally-sponsored initial (first) orders made within thirty (30) days of application of the personally-sponsored Distributor, according to the Compensation Plan.
- **C-13 Unilevel:** Monthly compensation paid to the Distributor, based upon product volume (PV) and other qualifying factors, as set forth in the Compensation Plan.
- **C-14 Global Bonus Pool:** A percentage of the worldwide commissionable volume, to be paid out to qualified Distributors, pursuant to the Compensation Plan.
- **C-15 Compression:** A processing technique that keeps inactive or non-qualified distributors from occupying a payout or qualification level in the compensation plan.
- **C-16 Streamlined Compression:** A method under the compensation plan wherein payment of compensation is pushed up to the next qualifying distributor level so as to avoid breakage.
- **C-17 Approval by the Company:** Written approval, by a designated Company official.
- **C-18 Initial Order:** The first order after initial application by a distributor, within thirty (30) days of the Distributor application.

## D. Distributor Authorization

The requirements to become and remain authorized to sell XanGo™ products and to participate in the Compensation plan for Independent Distributors.

- **D-1** To enroll as an Independent Distributor, an applicant must fill out, sign, and submit to the Company a current Application and Agreement form, and pay the applicable enrollment charge. Applicants are also bound, through application, to these Policies and Procedures. Applicants who have paid the enrollment charge are provisionally authorized as Distributors. The Company reserves

## Policies & Procedures

the Right to reject any Application, thus terminating provisional Distributor authorization at any time prior to receiving an original, signed application. Internet applications are generally processed immediately but must be followed by an original, signed application form within 30 days. Faxed applications will be processed when they arrive and may be deemed as originals. The Company may require that a faxed version be followed with an original signed form. The initial enrollment charge is meant to pay for services provided to the Distributors by the Company in support of sales. . *Beyond the initial enrollment charge and continuing annual enrollment charge, there is no requirement that a Distributor pay additional sums in order to participate as an Independent Distributor.*

- **D-2** Distributor authorization extends for one year from the acceptance date.
- **D-3** In subsequent years, a renewal of Distributor authorization is required. Distributors who fail to renew by deadline (renewal date), will terminate their distributorship and forfeit all sponsorship rights, positions earned and company correspondence. It is the responsibility of the Distributor to maintain their distributorship status. If an individual that has been terminated desires to sponsor again as a XanGo™ Distributor he/she must meet all the requirements of a new Distributor.
- **D-4** A Distributor identification number will be assigned to every new Distributor by the company. If the Applicant is a business entity, corporate entity or trust, a tax identification number is required with the application. If the Applicant is an individual, then a social security number (or applicable tax identification number) is required with the application.
- **D-5** All individual Distributor applicants must be of the age of majority (usually 18 years of age) in the jurisdiction in which they reside.
- **D-6** For taxation purposes, when Distributor Applicants are not individuals, the Application must be signed by a representative, authorized legally, to bind the applying entity and must have attached: (1) the tax identification number; (2) a copy of the articles of organization (if LLC), articles of incorporation (if corporation), syndication agreement (if syndicate), partnership agreement (if partnership), or trust agreement (if trust); and, (3) a signed authorization or resolution from the business entity, authorizing the person who signs the application to do so.
- **D-7** A Distributor may change status from individual to partnership or corporation, or from partnership to corporation, but must notify the Company in writing, providing details of all participants in the new entity. The Company charges a \$25.00 processing fee in connection with this transaction. Such a change request must include a written authorization signed by the individual or entity changing the status, as well as the individual or entity accepting the change. Documentation called for in D-6 must also be included. A complete list of all principals, officers, shareholders or those with beneficial interest, and other entity information shall be provided upon request of the Company, including social security numbers. The Company reserves the right to decline acceptance of a replacement organization.
- **D-8** Requests for changes of address, name, or ID number must be in writing and signed by the Distributor requesting the change. A fee may be charged for processing.
- **D-9** No individual may have beneficial interest in more than one Distributor entity at a time without the company's written approval. The Company does not allow indicia of ownership in simultaneous interests.
- **D-10** Only one (1) member of any immediate household may apply for Distributor status. This rule is meant to avoid conflicts involving D-9.
- **D-11** Husbands, wives, minor children, or others co-habiting may not sponsor each other nor be part of different Distributor entities.
- **D-12** In the case of two Distributors subsequently marrying, the Company shall not cause the Distributors to abandon one Distributorship. In this case only, both husband and wife shall be allowed to retain his and her existing Distributorships. (Notice prior to marriage should be given to the Company.)

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- **D-13** Should a husband/wife Distributorship divorce, they must notify the Company in writing; signed by both parties, as to how the Distributorship is to be managed thereafter. Otherwise, the company shall consider the person who was originally listed as the applicant to be continuing as the Distributor or restructure pursuant to a court order. The Company reserves the right to charge the Distributor a fee in connection with such reorganization.
- **D-14** A Distributor may terminate Distributor authorization at any time by providing written notification to the Company. A Distributor who has resigned is eligible to reapply to be a Distributor six (6) months or more after termination. During the six-month period he/she is not permitted to participate in any way in the building or development of a XanGo™ Distributor group or downline.
- **D-15** The Company may terminate a Distributor's authorization for cause, which includes, but is not limited to, violation of these Policies and Procedures or the Company Code of Ethics, a breach of any other promises made in the Distributor Application and Agreement, or any misstatement or misrepresentation made by the Distributor in the agreement or on any other form as determined in the sole discretion of the Company.
- **D-16** A XanGo™ Distributor may sell, assign or otherwise transfer his or her rights or position *only after receiving the express written approval of the Company*. The Company reserves the right to approve the transaction but will not unreasonably withhold permission. A Distributor who sells his or her Distributorship will not be eligible to re-qualify as a Distributor for a period of at least 6 months after the Company has approved the sale in writing unless waived in writing by the Company's Board of Directors. The Company reserves the right to charge a fee in connection with transfer of a Distributorship. All transfers of a Distributorship must include a written, dated, signed and notarized (or equivalent) agreement between transferor and transferee. The person or entity that is acquiring the transferor's position will submit a new Distributor Application. Upon acceptance by the Company of the transferee's application, the sign-up fee, and a \$100.00 transfer fee, the position will be assigned a new Distributor identification number, but will maintain the same position, with sponsorship and placement, as it existed before the approved transfer. Distributors must comply with the restrictions described in Paragraph D-9 and D-14, as well as all other applicable policies and procedures, in reference to the sale or transfer of distributorships. For a change of ownership must be received by the Company by the 20th day of the month, in order to be applied to the current month. Any requests received after the 20th, will be processed for the following month.
- **D-17** In the case of a Distributor's death, Distributor rights will be transferred to the legal successor in accordance with law. The Company requires certified photocopies of the death certificate (or a doctor's statement) and a certified Will, court order, or other appropriate legal documentation before the transfer can be effective. Successors in interest must comply with current program requirements and are subject to these Policies and Procedures. Upon notice of demise, the Company reserves the right to make payments to the estate of the deceased distributor.
- **D-18** Distributors are authorized to sell Company products and services and to participate in the Compensation Plan in any location where the company makes product distribution available. Each individual country may have Policies and Procedures that pertain to that particular country. The Distributors must obtain copies of the Policies and Procedures for their particular country, read them, and comply with them.
- **D-19** The Company provides numerous services to its Distributors without charge. However, Distributors occasionally make requests that require special time and effort to fulfill. Requests in this category would include copies of receipts, paperwork, or in-depth bonus information that must be calculated or extracted. These and other special requests are available to the Distributor for a cost of \$40 (U.S.) per hour with a minimum charge of \$40 (U.S.) per request. Distributors may be asked for a signed confirmation of special work requests before they are started. If a special service is requested due to an error caused by the Company, charges for this request may be waived.
- **D-20** All documentation being signed on behalf of another party must be submitted with a valid and notarized Power of Attorney (or equivalent legal document), giving authority to the signing person, by

## Policies & Procedures

the person on whose behalf the document is being executed.

- **D-21** A Distributor must provide written instructions to the Company regarding ordering status (standard orders and/or ADP setup, cancellation and/or changes), payment methodologies and distributor status, etc., signed by the Distributor for whom the request or change will apply to. The Company will not accept instructions concerning a Distributorship, its ordering status, its status for payment, or any other matter between the Company and the Distributorship, unless the instruction is in accordance with this Policy and Procedure. Written and signed notice is effective on the date received by the Company. This Policy and Procedure does not change deadline requirements elsewhere in these Policies and Procedures.
- **D-22** Company's failure to request or initially obtain back-up documentation does not waive Company's rights to obtain such information and/or documentation.
- **D-23** If you wish to dissolve your jointly held Distributorship, you must do so in such a way as to not disturb the income or interests of your Upline and Downline Organizations. You should consider the following when deciding whether or not to dissolve a jointly held Distributorship: (1) If a jointly owned Distributorship is dissolved, any one of the joint owners may operate the Distributorship, but the other joint owners must relinquish their rights to, and interests in, the Distributorship; (2) When you decide to continue the operation of a jointly owned Distributorship, the Company cannot divide your Downline Organization, nor can it split commissions between the joint owners.
- **D-24** Distributor certifies that the Distributor has sold or consumed, or intends to consume at least 70% of all products previously purchased by the Distributor from the Company.

### E. Responsibilities & Practices

- **E-1** All Distributors, as independent contractors, are responsible for any expenses which result from building or maintaining a downline, including, but not limited to, responsibility for any required licenses, fees, insurance, liabilities, and taxes

including sales, income, social security, and unemployment taxes and operating expenses. No Distributor shall involve the Company in any contractual relationships or obligations relative to his/her business.

- **E-1a** Income Tax: XanGo™ Distributors are independent contractors for income tax purposes and do not have income tax withheld from commissions. Distributor will provide the Company with a signed form W-9 (or relevant form for the applicable jurisdiction), if the Distributor is an individual or entity of the United States, or a signed W-8 BEN form, if the Distributor is a foreign person or entity. The Company will automatically provide a complete IRS form 1099 to each Distributor whose earnings are at least \$600 (U.S.) (or current IRS requirement) at the end of a calendar year, or by the date required by the Internal Revenue Code or the applicable taxing entity. If earnings are less than \$600 (U.S.) these forms are available upon request. Distributors are responsible for contacting proper taxing authorities or an accountant for up-to-date information on tax law. Distributor agrees to indemnify and hold harmless Company for any tax related penalties and charges relating to charges incurred because of incorrect or incomplete information provided by Distributor.
- **E-1b** Sales Tax & Exemption: If a Distributor has a state sales tax number, collection of sales tax will be the responsibility of the Distributor. The tax number must be provided to the Company before or at the time the order is submitted. If the Distributor does not provide a tax number, the Company will collect sales tax based on the suggested retail price according to the applicable tax rate for the area in which the sale is made or products are shipped by the Company. It is the responsibility of the Distributor to provide an updated copy of their tax-exempt authorization each year.
- **E-1c** Self-Employment Tax: Distributors must individually pay appropriate self employment taxes unless an adequate amount of social security tax is being paid as a result of other employment. Forms and instructions may be obtained from the local IRS office.
- **E-1d** Unemployment Tax: The Company makes no contribution to any of the various unemployment funds because of the Distributor's Independent

# Policies & Procedures

contract status. Because contributions are not made, a Distributor is not eligible to claim unemployment compensation or make workman's compensation claims as a result of having been a Distributor of XanGo™.

- **E-2** Distributors are not employees or agents of the Company or their sponsors, and shall not imply that they are employees or legal representatives. No printed or verbal representations may be made implying otherwise.
- **E-3** The Company does not dictate Distributor hours, selling or marketing methods or plans, time required, funds expended, etc. Distributors shall not represent that there are any such requirements.
- **E-4** All Distributors will clearly state in all presentations to prospective Distributors the following: 1) No product purchase is required of anyone at anytime to participate as a Distributor, and 2) there is no compensation solely for sponsoring.
- **E-5** Distributors shall truthfully describe products and programs in discussions with customers, potential customers, other Distributors, or potential Distributors. The Company is responsible only for material printed in Company-approved literature or other media. While Distributors are required to submit promotional materials to the Compliance Division for review, Distributors are solely responsible for any and all media they produce. Distributors agree to indemnify and hold the Company harmless from any claims made as a result of advertising and promotional materials produced and distributed by the Distributor.
- **E-6** Distributors shall provide each potential Distributor a copy of the Policies and Procedures prior to giving such person a Distributor Application.
- **E-7** Distributors shall provide to all customers an official Sales Receipt, which includes the Distributor's name, date, address, and phone number, a complete list of products sold, their prices, and the Cooling off Period Cancellation Notice information where applicable. The Sales Receipt shall conform to all local/regional/state/country requirements.
- **E-8** Company will monitor Distributor's compliance with the established and published Policies and Procedures. This may include, but is not limited to, review of advertising materials, electronic media, training materials, etc. Comments from Company regarding compliance must not be interpreted or construed as approval, disapproval, or sanctioning by the Company, but must be considered only as the Company's demand and/or warning to Distributor to comply with the agreements and established Policies and Procedures between Distributors and the Company. Each Distributor must be self-policing as to its own strict compliance with established Policies and Procedures and must assure its own compliance with these policies, procedures and agreements by being intimately familiar with such policies, procedures and agreements. Failure to comply with these Policies and Procedures may be cause for termination. It is important that the Distributor provide the Company with all of Distributor's contact information, including, but not limited to, address, telephone number(s), fax number(s), website address, and e-mail address, in order to facilitate prompt communication between the Company and the Distributor.
- **E-9** The Company's Compliance Division shall make determinations as to whether there has been a violation of the Distributorship Agreement or the established Policies and Procedures, by Distributor, in accordance with the agreements and established Policies and Procedures, hereunder. The Compliance Division shall respond to all questions posed by Distributors as promptly as possible. Distributor shall comply with all demands of Company's Compliance Division in a reasonable time and shall provide Compliance Division with all requested information promptly. Advice rendered by the Compliance Division shall not be construed as "legal advice" and the Distributor should not rely upon the Company or any of its divisions to provide "legal advice." Distributors, if they need legal advice, should consult with legal counsel of their selection.

## F. Prohibited Practices

Distributors must do the following in order to protect their own interests and the interests of the Company. Violations of any one of these are grounds for termination and/or the withholding of payment of commissions or fees.

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- **F-1** Distributors will not obtain, use, or distribute materials of any kind, which describe or use the Company's names, products, programs, trademarks, copyrights, or otherwise protected materials without the Company's prior written approval. Distributors will not use the marks, products, programs, trademarks, copyrighted materials, or any other materials produced by the Company, in a manner that is likely to cause confusion, mistake, or deception, as to the source of the products. The following logos, terms and trademarks are the sole property of XanGo, LLC:

XanGo™

Good for the Body, Heaven for the Tongue™



- **F-2** Distributors shall neither misstate nor omit any significant material fact about the XanGo™ program or products.
- **F-3** No Distributor will make untrue, deceptive, misleading or exaggerated claims about the Company's Compensation Plan or Distributor income potential. If income examples, extrapolations, or geometric progression are used to project earnings, growth, or success, actual current average income of all Company Distributors at all levels shall be stated. No Distributor shall misrepresent the actual or potential sales or earnings of other Distributors. Any earnings or sales representations that are made by distributors shall be based on documented facts. Such wrongful action by a Distributor will result in disciplinary action by the Company.
- **F-4** Distributors must not give any assurance concerning the present or future income tax consequences or estate, gift, or inheritance tax consequences of any compensation benefits, all of which consequences are subject to change from year to year.
- **F-5** Distributors shall make clear that profits are not guaranteed and that the compensation program is based upon sales of commissionable products.
- **F-6** Unjustified product claims shall not be made or used to sell or promote a product or service. The Distributor shall not distort or misrepresent any statements about quality of the XanGo™ products. *The Distributor shall make no medical or implied medical claims relating to the products of the Company.* No claims as to therapeutic or curative properties of any products offered by XanGo™ may be made, except facts contained in official XanGo™ publications and on product labels. In particular, no Distributor may make any claim that XanGo™ products are useful in the cure, treatment, diagnosis, mitigation, prevention of any diseases, or improvement of health. Such statements can be perceived as medical or drug claims. Not only are such claims in violation of the Distributor Agreement and these Policies and Procedures, but they may also violate the laws and regulations in the jurisdiction where XanGo™ products are available. Information provided by XanGo, LLC is for informational purposes and is not meant to substitute for the advice provided by a physician or other medical professional. Distributors will not combine information about XanGo™ products, provided by the Company, with information provided by outside third-party resources concerning XanGo™ products or XanGo™ product ingredients, in advertising, websites, and/or presentation materials. Such prohibition is specifically meant to prevent labeling issues, medical claims, product claims, etc. which information is not presented and prepared by the Company (Compliance Division). If the Distributor's website is linked to a third party website, then such link must follow the "two click rule," which is to link to a neutral website before linking to the referred website.
- **F-7** Distributors shall not re-label, alter or repackage any of the XanGo™ products, except in materials produced and/or approved by the Company.
- **F-8** Distributors are expressly forbidden to state or imply that additional products or services will be added to the products and services currently offered, or that enhancements to the Compensation Plan are forthcoming or that specific areas are about to be added to areas of operation unless or until the event has been announced by the Company. Doing so is grounds for immediate termination.

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- **F-9** The Distributor, unless he is a licensed health care professional, must not diagnose or treat illness or other body conditions.
- **F-10** There are no exclusive territories for anyone to sell products or to sponsor other Distributors. No Distributor will profess that such territories exist. No Distributor may allege or imply that they have a unique relationship with, advantage with, or access to the Company executives or employees that other Distributors do not have.
- **F-11** Displaying, selling, or causing sales or displays of Company products or services in retail establishments is prohibited without prior written Company approval. Sales by distributors who own retail establishments are not violations of this policy. However, sales of Company products in a retail manner and/or fashion and on retail business premises are prohibited. Such prohibition does not prevent the display of XanGo Independent Distributor information within retail business sites. Company products may be displayed in private or restricted access offices, businesses or private associations. Such establishments are those businesses where the general public does not have ready access, unless through appointment or membership, and/or where the primary function of the business on the premises is the rendering of professional services.
- **F-12** Distributors will not engage in selling or recruiting activities with non-company products or programs with Distributors they have not personally sponsored, unless they have the sponsor's permission. There are no such restrictions on personally sponsored Distributors. Distributors will not engage in selling the Company's products, or recruiting activities, with non-company products or programs, nor in conjunction with non-company business opportunities. Distributors may not sell or promote any competing products or services to XanGo™ Distributors. This includes any product or service in the same generic category as a XanGo™ product. Distributors may not offer XanGo™ products, or promote the XanGo™ Compensation Plan, in conjunction with any non- XanGo™ product, plan, or incentive. Distributors may not offer any non- XanGo™ products or opportunity in conjunction with the offering of XanGo™ products or opportunities; Distributors may not recruit a prospective member who accompanies another Distributor to a XanGo™ -sponsored meeting or function for a minimum of 45 days after the meeting, or until notified of the prospect's decision not to enroll.
- **F-13** The Company will supply data processing information and reports to the Distributor concerning the Distributor's downline sales organization (this information does not include "personal information," such as age, tax identification numbers, income, ethnic origin, blood type, social status, medical information, etc). The Distributor agrees that such information is proprietary and confidential to the Company and is transmitted to the Distributor in utmost confidence. The Distributor agrees that he/she will not disclose such information to a third party directly or indirectly (including other XanGo distributors), nor use the information to compete with the Company directly or indirectly. The Distributor agrees that this information is, and remains, the property of the Company. Violation of this confidentiality requirement is grounds for termination.
- **F-14** Distributors will not participate in any unlawful practices.
- **F-15** No government body, whether it be a State Attorney General's Office, Secretary of State's Office, Consumer Protection Agency, State or Federal Trade Commission, or any other regulatory body approves or endorses any marketing program. Therefore, no Distributor may ever imply that the promotion, operation, or organization of the Company has been approved, sanctioned or endorsed by any regulatory authority. Such statement or implication constitutes grounds for termination from the program. Information and statements regarding dietary supplements have not been evaluated by the Food and Drug Administration and are not intended to diagnose, treat, cure or prevent any disease.
- **F-16** Violations of any Policy and Procedure, agreement, law, regulation, ordinance, or statute that jeopardizes the Company's position with any regulatory authority, will be dealt with immediately. When the Company verifies a violation, the following procedures may apply:
- **F-16a** The Company will send an official notice of intent to correct or cancel said Distributor.

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- **F-16b** The offending Distributor will have ten (10) business days in which to present his/her case for review by the company. Failure to respond will constitute an admission of the violation and will result in discipline, as provide in these Policies and Procedures.
- **F-16c** The Company will then make the final decision as to the status of the Distributor's relationship with the Company and will use any remedy available pursuant to the Distributor application and Policies and Procedures.
- **F-17** Distributors may use "replicating" website information and material, which has been given approval by the Company. Such authorized information will be published generally to all Distributors. Distributor websites must be registered with the Company's compliance department. Distributors are not authorized to use the Company's marks or information on advertising material that has not been reviewed by the Company. Distributors must submit all proposed advertising materials to the Company's compliance division in order to have such materials reviewed for possible infractions of the distributor agreement and/or established Policies and Procedures. Distributors are not authorized to use the Company's registered trademarks in Distributor's business name, website, or e-mail, without the express written permission of the Company. Any unauthorized usage of the Company's marks or proprietary information may be cause for termination, pursuant to the Policies and Procedures set forth in the agreements and/or Policies and Procedures. Distributors may not post websites without first obtaining written approval of the contents of such website from the Company's Compliance Division. Distributors may not advertise or sell the Company's products, using the Company's marks or proprietary information, on websites where products are sold in any auction-style format. Distributors must use the approved XanGo Independent Distributor banner at the top of each published website page, or in the alternative, must use the words "XanGo Independent Distributor Site" in a minimum 18 point font on the top one inch of each published page. The banner or typed description must be static, thereby remaining at the top of each page of the website, including scrolling. Distributors must include the words "Independent Distributor" in the meta tag title of the website.
- **F-18** The Company reserves the exclusive right to terminate, and/or withhold payment of commissions to, any Distributor who violates any provision of the Distributor Application and Agreement, the Policies and Procedures, or any amendments thereto. Such termination cancels any and all rights under the distributorship agreement and compensation plans, and will be effective upon the verification by the Company of said violations and notification to the offending Distributor. Upon cancellation, the Company shall be entitled to seek legal remedy for any damages to which it is entitled by law.
- **F-19** When a Distributor has been terminated, either voluntarily or involuntarily, he/she must immediately cease to represent himself/herself as a Distributor of the Company. The downline of a terminated Distributor inures to his/her sponsor/placement. A Distributor who has resigned is eligible to reapply to be a Distributor six (6) months, or more, after termination. During this six-month period he/she is not permitted to participate in any way in the building or development of a XanGo™ group. The terminated Distributor, upon re-application for Distributor status, will be treated as if he/she had never been a Distributor and will be required to make application again and to pay an enrollment fee. He/She will not retain prior rights to bonuses, rank, or position in any former line of descent.

### G. Sponsoring and Placement

The following are Policies and Procedures related to enrolling others as Distributors and maintenance of sponsorship lines.

- **G-1** All currently authorized Distributors may sponsor other Distributors in the XanGo™ program. Occasionally, one or more persons may contact the same prospect and a question may exist as to who has sponsoring rights for that prospect. The Company will not mediate such disputes and will recognize, as the sponsor, the individual whose name appears on the original Distributor Application and Agreement first received and accepted by the Company, where two applications are received simultaneously. However, the Company reserves the right to consult with the applicant regarding the possibility of error. Once a Distributor has submitted an application to become an Independent Distributor, other distributors shall not attempt to

# Policies & Procedures

convince the applicant to change sponsorship and/or placement to another downline or organization.

- **G-2** Distributors must maintain a continuous professional and positive leadership association with distributors in its/his/her organization, providing authentic and necessary supervision, distribution and/or sales functions in the delivery and sale of products and in the training of distributors with respect to the Policies and Procedures and the programs relating to the Company and its products. All new Distributors have the right to receive free training and support from their sponsor. Examples of such supervision may include, but are not limited to: Newsletters, written correspondence, personal meetings, telephone contact, training sessions, accompanying individuals to Company training, and sharing downline information with those sponsored. Distributors must be able to provide evidence to the Company, on a quarterly basis, regarding fulfillment of these responsibilities. If an upline sponsor fails to provide adequate training for the downline, the upline sponsor will be issued a written notification of such failure to train. If a resolution is not reached within 60 days, loss of sponsorship rights and benefits may result.
- **G-3** A Distributor may change sponsors by resigning from the XanGo™ program, remaining outside the program for six months, and then reapplying under a new sponsor. Using this method of resignation, the Distributor would lose sponsorship over all previously sponsored downline Distributors. In the case of resignation, the sponsored placements of the resigning Distributor move up to the resigning Distributor's sponsor position and the placement in the organization moves up to the resigning Distributor's placement position.
- **G-4** A Distributor may make application to change sponsorship or placement (with the changed Distributor retaining sponsorship and placement over all downline Distributors). The sponsorship or placement change may be made only if written approval is obtained from: (a) the first nine (9) upline Distributorships; (b) the Distributor whose placement or sponsorship is sought to be changed; and (c) the Company. Only one sponsorship or placement change per distributorship will be allowed. No changes to sponsorship or placement will be allowed where the Distributor has reached the level of 20K, or greater. The change request shall be made upon a "Sponsor/Placement Change

Request Form, Signature Page" and "Distributor Requesting Change Cover Sheet" as provided by the Company. A fee of \$25 (U.S.) will be charged for each sponsorship or placement change. If additional research is required in order to obtain documentation necessary to make such a change XanGo™ reserves the right to make additional charges (See D-19). Errors of Placement through internet or telephone sign-up may be made, without charge, if written notice of the placement change (due to internet or telephone entry error by the Sponsoring Distributor) is received by the Company by 12:00 noon (MT) on the day following the entry error on the internet or telephone sign-up. Change requests for applications which have been mailed, faxed, given by telephone, or are hand delivered to the Company do not fall under this next day exception and are presumed to be correct when received by the Company. If a change is required because of the Company's error, the charge will be waived. If a Company error concerning sponsorship and/or placement is not brought to Company's attention within thirty days (30) of the entry error, then such error will be deemed to be a Distributor error. Requested sponsorship or placement changes will be subject to these Policies and Procedures and will be reviewed by the compliance department of XanGo™. Any sponsorship and/or placement change will take effect after Compliance approval and data processing. Change request forms must be completed fully, and must be received at the Company by 5:00 p.m. (MT) on the 20th day of the month, in order to be applied to the current month. Any requests received after the deadline, will be processed for the following month.

## H. Compensation & Fee Requirements

Policies and Procedures relating to payment of commissions.

- **H-1** Definitions
- **PV (Product Volume)**: The amount of commission value traditionally associated with any given product. This is a co-efficient of CV & QV. Historically, there was a 1:1 relationship between CV & QV. This is expressed in points. In a Split PV system, this is an archaic and incorrect term.
- **GV (Group Volume)**: PV for all distributors and consumers in a distributors Downline, including the distributors personal PV.

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- **CV** (*Personal Commissionable Sales Volume*): The amount of points associated with any given single unit of a product. Used to determine the commissionable amount of any given sale by a single distributor. May be translated to some value of local currency for sales and commission payments.
- **QV** (*Personal Qualification Sales Volume*): The amount of points associated with any given single unit of a product. Used to determine the commissionable amount of any given sale by a single distributor. May be translated to some value of local currency for sales and commission payments.
- **GCV** (*Group Commissionable Sales Volume*): The amount of CV accrued within a placement down-line organization, including the distributors own CV and non-distributor sales.
- **GQV** (*Group Qualification Sales Volume*): The amount of QV accrued within a placement down-line organization including the distributors own QV and non-distributor sales.
- **Point**: Unit of measure assigned to any given product to quantify the value of that product for commissions and qualification. Currently, in the USA 1 point = \$1.00 USD
- **Qualification**: A combination of CV & QV requirements to be eligible for a commission check in any given period.
- **Split**: The difference between the CV and QV for any given product. Expressed as a ratio or percentage. Splits are usually used in foreign markets taking into consideration fluctuating currencies and exchange rates, and additional costs relative to that market.
- **Non-Distributor Sales**: Sales made to non-distributors/ end consumers. Commissions are paid out monthly with Unilevel.
- **PowerStart**: Weekly commission paid on sales paid to Sponsor on personally-sponsored initial (first) orders made within thirty (30) days of application of the personally-sponsored Distributor.
- **Commission**: Monies earned by a Distributor on sales made by distributors within their Downline organization. (Non-employee compensation) Commission payments are subject to handling, processing and remittance fees that are deducted from commission payments. To be eligible for any compensation, a distributor must have achieved the monthly requirements currently in effect as detailed in the Compensation Plan.
- **Retail Commission**: Monies earned by a Distributor on retail sales. Specifically, the amount collected that is greater than the wholesale amount paid for the product. If the retail sale is processed by the Company's retail program, a portion of the retail commission may be retained by the Company for administrative fees and the balance will be paid to the distributor on the monthly commission check.
- **H-2** Credit for personal sponsorship is never lost (except where it is transferred pursuant to G-4) even when the placement function is used. Placed distributors and the ranks they achieve will be counted towards the Personal Sponsor's commission qualifications. Please refer to the compensation plan for the current qualification schedule. Distributors may only be placed within the sponsors Downline.
- **H-3** Commission Payments:
  1. **Unilevel**: Compensation will be paid to Distributors during the following month for sales made within their Downline organization. All commissions will be mailed to Distributors on or before the 20th
  2. **PowerStart**: Weekly bonuses will be paid the week following the processing of a new Distributor Application with an accompanying order. Commissions will be mailed to Distributors on or before Friday.
  3. **Global Bonus Pool**: Global quarterly commissions will be paid upon completion of the monthly Unilevel bonus run in January, April, July and October for the previous calendar quarters.
  4. **Retail Commissions**: Retail Commissions are processed at the same time as monthly commission runs and therefore are combined as part of the monthly commission checks paid by the 20th of the following month.

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## 5. Cut-offs and Deadlines:

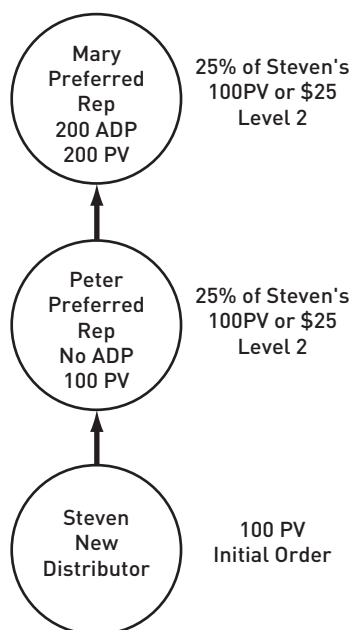
- a. UniLevel: To be considered for payment of UniLevel commissions in a month, orders must be received no later than 5:00 p.m. (MT) the last business day of the calendar month. For Premiers, the cutoff date for phone orders will be 5:00 p.m. (MT) of the 2nd business day of the following month. Online orders must be placed prior to 11:59 p.m. (MT) on the last day of the month to be considered for the current month. A new application, with an order, must be received before 5:00 p.m. (MT) on the last business day of the month, to be considered for the current month (NO EXCEPTIONS).
  - b. PowerStart: To be considered for payment of PowerStart commissions in a week, orders must be received no later than 5:00 p.m. (MT) Friday. Online orders must be placed prior to 11:59 p.m. (MT) on Friday to be considered for the current Week. A new application, with an order, must be received before 5:00 p.m. (MT) on Friday.
  - c. Retail Commissions cutoff is the same as UniLevel. (see H-3,5,a)
- **H-4** The Company will pay Distributor commissions on fully paid orders with appropriate payment, which have been received in the Corporate Office by the deadline. If a Distributor believes that there is an error in the computation of commissions and/or program qualification, such errors must promptly be brought to the attention of Customer Service. If such problems are not brought to the attention of Customer Service within 45 days of the end of the relevant compensation period, then Distributor waives all recourse with respect to such alleged error.
  - **H-5** The Company assesses a yearly Account Renewal Fee of \$20 (U.S.) per Distributor billed to the Distributors account annually on the anniversary of sign up (non-refundable) for back office and sales support.
  - **H-6** The Company retains the right to offset any monies owed in arrears by the Distributor against monies earned as a result of any commissions. Company further reserves the right to withhold payment of any commissions or fees to Distributor where Distributor has violated the distributor agreement and/or these Policies and Procedures.
  - **H-7** Compensation Plan: There are four types of commissions paid to qualified Distributors, those commissions are (1) PowerStart; (2) Unilevel; (3) Global Bonus Pool; and (4) Non-Distributor Sales. Commissions are paid only on the CV, GCV or Non-Distributor Sales sold by personally sponsored and/or placed Distributors, and Non-Distributor Sales customers as may be applicable. Sales orders or Commissionable Volume (CV) may not be transferred from one distributor to another distributor. The Company pays out 50% of the commissionable volume on all orders.
  - **H-8** PowerStart: PowerStart is a Fast Start commission that is paid on a weekly basis. It is paid upon the first wholesale sales order, with volume, sold within thirty (30) days of the application date of a personally sponsored Distributor. It is paid based on the Sponsorship Tree. All subsequent orders are paid out as Unilevel volume. Product Volume requirement must have been met within the last six weeks of the time of the order. The Company pays 50% of the commissionable volume of the initial order in 2 ways depending upon the ADP status of the sponsor.
    - (1) Sponsor *does* have a current/active ADP (ADP of 100PV or greater):
      - 30% of Commissionable Volume is paid directly to the sponsor.
      - 15% of Commissionable Volume is paid to the first qualified upline distributor on "Double-Depth" ADP (ADP of 200PV or greater)
      - 5% of Commissionable Volume is currently going to the Global Bonus Pool. The Company guarantees that 3% will go to the Global Bonus Pool and is currently putting the additional 2% into the Global Bonus Pool, but reserves the right to use the 2% for different incentives as it sees fit in the future.
    - (2) Sponsor *does not* have a current/active ADP (ADP of 100PV or greater):
      - 20% of Commissionable Volume is paid directly to the sponsor.
      - 25% of Commissionable Volume is paid to the first qualified upline distributor on "Double-Depth" ADP (ADP of 200PV or greater)
      - 5% of Commissionable Volume is currently going to the Global Bonus Pool. The Company

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guarantees that 3% will go to the Global Bonus Pool and is currently putting the additional 2% into the Global Bonus Pool, but reserves the right to use the 2% for different incentives as it sees fit in the future.

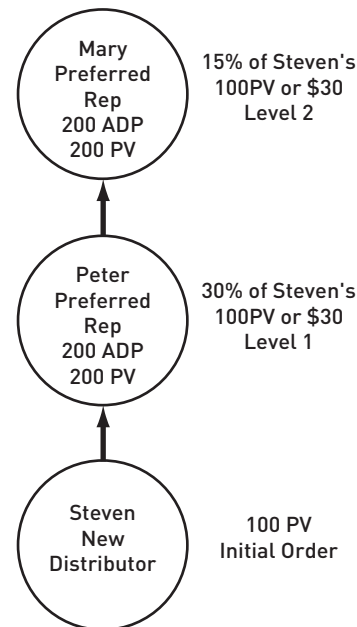
- (3) PowerStart Compression: "Double-Depth" will be paid out to the first eligible upline distributor that is qualified with at least 200PV for the period.

### Example: Sponsor with out ADP



An initial Order is placed by Steven for 100 PV. Steven is Sponsored by Peter, who is Sponsored by Mary. Based on ranks and ADP's, this is how the Power Start Commission is normally paid out.

### Example: Sponsor with ADP



An initial Order is placed by Steven for 100 PV. Steven is Sponsored by Peter, who is Sponsored by Mary. Based on ranks and ADP's, this is how the Power Start Commission is normally paid out.

- **H-9** Unilevel: Unilevel is paid on a monthly basis and applies Streamline Compression. Unilevel commissions are not paid on PowerStart sales. There are six levels of compensation under Unilevel.

(a) "Representative": A Distributor who has monthly 100 PV. A Representative is paid commissions on two volume levels as set forth in H-14 below.

(b) "Preferred Representative": A Distributor who has monthly auto order (ADP) of 100 PV. A Preferred Representative is paid commissions on three volume levels as set forth in H-14 below.

(c) "1K": A Distributor who has monthly auto order (ADP) 100 PV; has sponsored a minimum of three (3) auto order (ADP) distributors; and has 1,000 Group PV. A 1K is paid commissions on four volume levels as set forth in H-14 below.

(d) "5K": A Distributor who has monthly auto order (ADP) 100 PV; has sponsored a minimum

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of three (3) 1K distributors; and has 5,000 Group PV. A 5K is paid commissions on five volume levels as set forth in H-14 below.

(e) "20K": A Distributor who has monthly auto order (ADP) 200 PV; has sponsored a minimum of three (3) 5K distributors; and has 20,000 Group PV. A 20K is paid commissions on seven volume levels as set forth in H-14 below.

(f) "Premier": A Distributor who has monthly auto order (ADP) 200 PV; has sponsored a minimum of two (2) 20K distributors and one (1) 5K distributor; and has 50,000 Group PV. A Premier is paid commissions on nine volume levels as set forth in H-14 below.

- **H-10 Global Bonus Pool:** Three percent (3%) of all worldwide commissionable volume will be placed in the Global Bonus Pool. The Global Bonus Pool will be paid out on a pro-rata basis to qualified leaders (*Premier Select*). This commission is paid on a quarterly basis. There are three types of qualified leaders who will be paid commissions from the Global Bonus Pool. (These definitions and standards will be applied for determination of incentive award qualifications.) These qualified leaders are:

- "Premier Select": Must qualify for Premier for each of the three months of the calendar quarter and must have a minimum monthly Unilevel commission payment of \$2,500.00 each month, in order to qualify for payment from the Global Bonus Pool. Premier Select will receive a pro rata portion of the Global Bonus Pool based upon the first three volume (GPV) levels.
- "100K Premier Select": Must qualify for Premier for each of the three months of the calendar quarter; have a minimum monthly Unilevel commission payment of \$5,000.00 each month; three (3) personally sponsored 20K Distributors; one (1) personally sponsored 5K Distributor and 100,000 Group PV each month in order to qualify for payment from the Global Bonus Pool. 100 K Premier Selects will receive a pro rata portion of the Global Bonus Pool based upon the first six volume (GPV) levels.
- "200K Premier Select": Must qualify for Premier for each of the three months of the calendar quarter; have a monthly Unilevel commission payment of \$10,000.00 each month; three (3) personally sponsored Premier Distributors; one

(1) personally sponsored 20K Distributor and 200,000 Group PV each month in order to qualify for payment from the Global Bonus Pool. 200 K Premier Selects will receive a pro rata portion of the Global Bonus Pool based upon the first nine volume (GPV) levels.

Percentages received from special promotional bonuses are not included in the computation of the monthly Unilevel commission payment requirements.

- **H-11 Non-Distributor Sales (NDS)** A Distributor may purchase product at the wholesale price, and then sell to the Distributor's customers at a higher price, thereby generating profit. A Distributor may also direct the Distributor's customers to purchase directly from XanGo's retail order line and XanGo will pay to the Distributor the retail profit for each sale. The volume that is generated from these sales is paid out through the regular compensation plan, together with Unilevel commission payments. Unilevel commissions are paid out on NDS.
- **H-12 Commission Rollup:** The Company uses "Streamlined Compression" in calculating Unilevel and Powerstart compensation. Streamlined Compression is designed so that there is no breakage in the compensation plan and so that the entire amount reserved to be paid out as compensation is paid out. Where a distributor, upline from the sale, does not qualify for payout under the compensation plan, the amount would then be paid out to a qualified upline distributor. Unilevel Streamline Compression is paid out up the "Placement Tree," while the Powerstart Streamline Compression pays out up the "Sponsor Tree." Compression does apply in Non-Distributor Sales and is paid out up the "Placement Tree" similar to the Unilevel pay out.
- **H-13 Sponsorship Qualification Compression:** In looking for the opportunity for qualification levels in the compensation plan, where a sponsored distributor is "inactive" ( no PV for the current period), that unqualified inactive distributor's personally sponsored distributors are looked to for a qualifying distributor for compression. The Upline sponsoring distributor is entitled to look to an "inactive" distributor's personally sponsored distributors in order to use a qualified distributor for

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qualification of a particular level in the compensation plan. The compensation plan therefore looks to an “inactive” distributor’s personally sponsored distributors for the highest qualifying distributor for that period, for compression up for qualification placement.

- **H-14** The Unilevel Commission paid per qualified level to qualifying Distributors is as follows:

First Level:	5%
Second Level:	5%
Third Level:	10%
Fourth Level:	5%
Fifth Level:	5%
Sixth Level:	5%
Seventh Level:	5%
Eighth Level:	5%
Ninth Level:	2%

- **H-15** Product Volume (PV) is calculated so that qualifying product sales are credited as one dollar (U.S.) equals one unit product volume (PV). Product volume does not include taxes, shipping costs, distributor fees, clothing and gift merchandise, distributor tools, extra distributor kits, etc.

## THE FOLLOWING IS A SUMMARY OF THE COMPENSATION PLAN

### I. Ordering Procedures

- **I-1** All orders must be submitted using a current Distributor Price List and Order Form. Shipping and handling fees are charged per the schedule appearing on the current order form. The Company will normally ship ground freight prepaid. If a Distributor chooses a shipping method other than the standard for his/her area, he will be billed for the difference in shipping costs.
- **I-2** To receive PV credit for a given month, orders must be received in the corporate office by the assigned cutoff date. Mail orders will be processed according to the date they are received at the

corporate office and not according to their postmarked date (see H-3).

- **I-3** Product orders must be accompanied by a single form of payment. Said form of payment must be in a form acceptable to the Company. Payment must be for the exact amount of the order. By placing a product order with XanGo, LLC, you are certifying that you have sold or consumed 70% of all product previously ordered from the Company, and that you are not stockpiling product, or “front-loading,” as it is sometimes called.

- **I-4** To mail in an order, send a completed order form along with full payment to:

XanGo™ - Order Entry  
P.O. Box 708670  
Sandy, UT 84070-8670

- **I-5** Distributors may pay for orders using any of the following payment forms:

- a) Cashier’s Check or money order
- b) Personal or business check
- c) ACH (U.S. only)
- d) VISA , Mastercard, American Express, Discover and JCB
- e) Bank Debit Card
- f ) Cash (U.S.)
- g) Electronic Funds Transfer

- **I-6** Automatic Payment Plan (ACH) will authorize the Company to electronically draft a Distributor’s bank account in the amount of the order. To participate in this plan, submit an Authorization for Automatic Payment (ACH) together with a voided check. There is a \$2.50 service fee charged for setting up an ACH. ACH may be used for all orders except for a distributor’s initial order with volume (PV). During the first ninety (90) days, orders using ACH may be subject to a shipping hold of five (5) business days, in order to verify funds. Usage of a bank account belonging to another person, for ACH, requires written (notarized) authorization by the owner of the account.

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- **I-7a** Payment will be verified with the credit card company prior to processing the orders and Monthly Auto order (ADP)s. In the event authorization is declined, the order department may attempt to contact the Distributor and may re-attempt to get authorization. If authorization is not achieved, the order will be considered "unprocessed" and will not be included in commission computation and processing.
- **I-7b** The only person(s) allowed to place an order using a credit card or bank debit card are authorized signer(s) on the credit or bank account. The Company cannot honor requests to pay for an order using a different person's credit card, check, debit card or ACH, unless the authorized signer on the credit or bank account has provided prior written authorization to the Company. In order for XanGo™ to change any detail pertaining to your Automatic Delivery Program (ADP), the request must be received by the Company (not an upline distributor) in writing, with the authorizing signature of the distributor's account, 48 business hours prior to the 14th of any given calendar month, for the request to count for the current calendar month (the 14th of each month is the date that ADP orders are processed. This would be to change number of cases, ship-to address, payment method, etc. If this policy is not followed, XanGo™ can make no guarantee that the request will affect the current calendar month.
- **I-8** Telephone orders must be paid by credit card, bank debit card or ACH. After taking the order, the order clerk will read back the order for approval. Listen carefully -- it is the Distributor's responsibility to make corrections at this time. Once the call is completed, the order is released to the shipping center, and no corrections or additions can be made. For an order to be eligible for same day shipping, the order must be received before 12:00 noon MT.
- **I-9** The Company will assess a handling fee of \$20.00 (U.S.) or an amount equal to 5% of the face amount of the check, ACH, or bank draft, whichever is greater, on any check, ACH, or bank draft that is returned uncollected from a Distributor's bank. After a second returned check or bank draft, the Distributor may lose the privilege of placing orders by using a check, ACH, or bank draft for a period of six months. During that six-month period the Distributor must use cash, a credit card, cashier's check, or money order in placing orders. Any returned check or ACH that is not resolved in a timely manner is grounds for termination and for legal action to obtain payment. Any uncollected amount may be deducted from current or future commissions. In addition to the above-described fees, the Company is entitled to interest of one and one-half percent (1.5%) of any uncollected balance, per month. All charge backs due to credit card declines, NSF checks or ACH, or any other charge back, must be resolved by the last business day of a month or the volume on such sales will not be included in the computation of commissions for that month's commission payments.
- **I-10** Out-of-stock items will be back ordered; however, volume credit will be given for the order. Back orders will be cancelled upon a Distributor's request. Canceled back orders will create a credit on the Distributor's account. The Distributor may deduct the amount of this credit from the payment for his/her next order. Because PV credit will have already been given, the Distributor will need to make sure he/she orders enough extra PV to offset the amount credited to the account, in order to maintain PV qualifications.
- **I-11** Distributors may return "resalable", unused, unencumbered product inventory with current labels and intact seals in good condition. This product must be shipped back (prepaid) to the Company's closest distribution facility. At this point the distributor will be refunded 90% of the net cost of the product, less any compensation (rebates, promotions etc.) previously credited to the Distributor for purchasing the inventory being returned. Refunds or buybacks will not occur on any inventory previously certified as "sold" under the 70% clause required for Distributor orders. As aforementioned, any Distributor who returns "resalable" inventory will be refunded 90% of the net cost. Any compensation, bonuses or commission paid to the Distributors upline on the returned merchandise product volume will be debited from any upline beneficiaries' account. A "charge back" transaction will appear as a debit on the Upline's next commission report.

If this policy conflicts with a particular law of an applicable jurisdiction, where a specific buy-back requirement has been enacted by law, the Company shall repurchase resaleable products in accordance with the applicable statute. The Procedures in I-14

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must be followed in order to return product. Product ordered by Premiers to qualify legs after the last business day of the month is not returnable and no refunds will be given on such orders. XanGo will not honor product refund requests made after 30 days of Distributor receipt of any given order. When Distributors have been in possession of any given auto order (ADP) for more than 30 days without notification to terminate the auto order (ADP) the company will assume that the account status is active and will maintain the account as a regular auto order (ADP). Requests to retroactively refund multiple auto order (ADP)s for multiple previous months will not be honored by the company. Refusal to accept shipment is not a method of ADP cancellation.

- **I-12** The Company will not regard inventory as "resalable" if the shelf life or expiration date has passed, or if a particular item had been originally sold under a clearly defined, discontinued, seasonal or special promotional status (product seals must not be broken or tampered with).
- **I-13** The receipt of a refund to a Distributor should be expected to transpire in the following order:
  - 1) A request for refund must be made to the XanGo™ Home Office along with verification of the original orders and receipts or proofs of purchase.
  - 2) Contact the Company's Customer Service Department and obtains a Returned Merchandise Authorization (RMA) number assigned for your refund request. The RMA number shall be valid for only thirty (30) days from issuance by the Company.
  - 3) Ship the product (prepaid) to the Company in a protective container or carton, along with a brief explanation of the contents and the RMA number given by the Customer Service Representative. Be sure to print your return address and the RMA number clearly on the outside of the package.

Any or all shipping or courier costs for the return of product to a XanGo™ Distribution Center will be borne solely by the Distributor. Any damage or loss that occurs to returned product during shipping will also be the responsibility of the Distributor. Should the package containing

returned product arrive at the Company damaged (therefore rendering them non-resalable) the Company's Distribution Center will reject the shipment. It is recommended that a reliable, track-able courier be used for shipping.

When the above procedure has been completed and the return process and product have been verified, a check for up to 90% of the wholesale product value will be issued and sent to the Distributor. The Company will have 30 days to resolve this matter.

Local, state or provincial repurchase laws or requirements may cause variance to this procedure.

- **I-14** If product is damaged in shipping, a Distributor should save boxes, products, labels, shipping documents, etc. and telephone the shipping company to request that they inspect the damage. Have the shipping agent sign the report of inspection. Send a copy of the report with Shipping Discrepancy Claim Form within 10 days of receipt of the order to the Company. A Distributor may receive replacement of the product. In order to avoid negative PV, it is suggested the Distributor request a replacement.
- **I-15** In the event a Distributor receives extra product, he/she will contact the Company. The Company will either issue a call tag for UPS pick up or the Distributor may send payment to cover the additional items.
- **I-16** If the Company has given a refund, for which a Distributor has been paid compensation on the sale, the Distributor may be required, at the Company's option, to return any applicable compensation received.
- **I-17** Warranties: The Company extends no product warranties, either expressed or implied, beyond those specifically articulated in Company publications. The Company disclaims and excludes all warranties regarding possible infringement of any United States or foreign patent, trademark, trade name, copyright, or the like right, by the Distributors operations; and the Distributor shall not have claim therewith. The Distributor shall immediately notify the Company as soon as he/she

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learns of any claim or suit relating to any of the matters discussed in this paragraph.

- **I-18 Initial Purchase Guarantee:** All XanGo™ customers and/or Distributors have a 30-day, 100% satisfaction guarantee with their initial purchase (see H-9 for definition of "Initial Order"). The Company will refund the full purchase price of any initial product order (less shipping charges) to customers and/or Distributors who are in any way dissatisfied with their product. In order to receive this refund, customers and/or Distributors must call XanGo Customer Service Department within 30 days of purchasing their initial order and request a Return Authorization Number, following the procedures described in I-14, above. From this point the return must be sent to the Company within 7 days by a traceable means of delivery. Upon receipt, the return will be noted and a refund will be issued within 30 days.
- **I-19 Cancellation Guarantee:** A cancellation of an auto delivery order by a Distributor can be honored only if made forty-eight hours (48hrs) prior to a scheduled auto delivery. Otherwise, should a Distributor wish to cancel his/her auto delivery order, he/she can return the most recent product auto delivery order (within 30 days) with a signed cancellation notice for a "90%-of-purchase-price" refund. This guarantee applies only to the most recent order received by the Distributor within 30 days. In order to receive this refund, customers must call XanGo Customer Service Department within 30 days of purchasing their most recent auto delivery order and request a Return Authorization Number. From this point the return must be sent to XanGo within 7 days by a traceable means of delivery. Product must be in resalable condition (full cases only) and must be accompanied by a Return Authorization Number (follow the procedures described in I-14, above) and the signed cancellation notice. Upon receipt, a refund for 90% of the product purchase price, less shipping charges, will be noted and a refund will be issued within 30 days.
- **I-20** The company will ship product that has been marked for "will call pick-up" if the product has not been picked up by the distributor within ten (10) business days of the scheduled autoship date, or the end of the calendar month, whichever is latest. The applicable shipping fees will be charged to the distributor. In addition, if the product is maintained

by the Company after this date, the Company will assess a storage fee of \$3.00 per day for each box that is not picked up.

## J. Advertising, Copyrights, Trademarks & Protected Materials

- **J-1 Advertising:** All Distributors may advertise in classified ads, but they may not use the XanGo name or trademarks and logos on any classified ad, unless pre-approved in writing or supplied by XanGo™, LLC. Only Distributors at the Premier level may engage in other forms of newspaper advertising, and then only using, without change or alteration, approved materials from the Company. (See Paragraphs E-8 and E-9).
- **J-2 Unauthorized Production or Use:** Materials of any kind which use or describe XanGo™ names, products, programs, trademarks, etc., must be obtained from XanGo™, LLC. Distributors will not produce, promote, or use unauthorized materials. (See Paragraphs E-8 and E-9).
- **J-3 Use of the XanGo™ Name:**
  - **J-3a** Other than by using materials provided by the company, Distributors may use the name "XanGo" only in signing correspondence. One of the following may be used:
    1. "XanGo™ Independent Distributor, {name}"
    2. "{name}, Independent Distributor of XanGo™ Products"
  - **J-3b** All stationery, business cards, letterhead, and envelopes using the XanGo™ name or logo must be approved by the Company. Small gift items such as pens, key chains, letter openers, calendars, etc. are acceptable -- such items will not include XanGo™ symbols, but may use the name as follows: "Compliments of (Distributor name), XanGo™ Independent Distributor (option of address and phone number.)"
  - **J-3c** Any Distributor may place a listing of his/her name in the white or yellow pages of the telephone

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directory followed by “XanGo™ Independent Distributor.”

- **J-3d** Graphical advertisements in telephone directories are prohibited.
- **J-3e** No Distributor will place display ads using the XanGo™ name in a telephone directory.
- **J-3f** Only Premier level Distributors may use the XanGo™ name(s) on vehicles, buildings, etc. Such use requires prior written permission and use of formats and/or materials from the Company. All items bearing the XanGo™ name(s) must be kept in good repair.
- **J-3g** Each and every use of the word “XanGo,” and any other registered trademark of the Company, in any type of printed or electronic media must be accompanied by the trademark (“™”) identifier.
- **J-3h** Distributors must use the approved XanGo Independent Distributor banner at the top of each published website page, or in the alternative, must use the words “XanGo Independent Distributor Site” in a minimum 18 point font on the top one inch of each published page. The banner or one inch typed description must be static, thereby remaining at the top of each page of the website, including scrolling. Distributors must include the words “Independent Distributor” in the meta tag title of the website.
- **J-4** All XanGo™ literature and programs are copyrighted by XanGo™, LLC and may not be duplicated without written consent of XanGo™, LLC. XanGo™, LLC will terminate any Distributorship found to be making and or distributing unauthorized copies of literature or programs that violate the Distributor Agreement or Policies and Procedures.
- **J-5** A Distributor shall not make purchases or enter into any transaction in XanGo™, LLC’s name or hold himself out as an agent for XanGo™, LLC products.
- **J-6** An Independent Distributor may decide to select a business name or title. This business name/title must not imply he/she is an employee or agent of XanGo™, LLC, but must state that he/she is an

Independent Distributor. For example:

Permissible:

1. Joan Smith, Distributor of XanGo™ Products
2. John Smith, Independent XanGo™ Distributor
3. Jane Smith, XanGo™ Distributor

Not Permissible:

1. XanGo Corporation of New York
  2. XanGo, Inc. Distributing Company
  3. XanGo, Inc. Area Office
  4. XanGo, Inc. of Georgia
  5. West Coast XanGo, Inc.
  6. XanGo International
- **J-7** Immediately upon expiration, termination, or cancellation of a Distributor membership, the affected Distributor will remove and discontinue the use of, and will not thereafter use the names and marks, or any and all signs, labels, stationery, advertising and reading material referring to or related to any XanGo™, LLC products.
  - **J-8** All information assembled by Company with reference to downlines and genealogy and placement of Independent Distributors is the property of Company. As such, this information is confidential and proprietary. Distributor maintains no rights or ownership with reference to this information and/or data. Distributor must treat this information as confidential and proprietary to Company. Improper and unauthorized use of this information by Distributor may be cause for termination and/or any other legal remedy available to Company.
  - **J-9** The following are approved Independent Distributor logos:



These approved Independent Distributor logos may

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not be modified, changed or altered in content or design.

- **J-10** These logos should be used at the top of, or in a prominent place on, any printed or electronic media published and used by an Independent Distributor in the promotion of their business. This includes, but is not limited to, websites, flyers, ads, brochures, pamphlets, posters, banners, business cards, stationary, envelopes, letterhead, etc. The logo would replace using the actual Company logo on distributor-sponsored materials. The Company reserves all rights to revoke or rescind prior approval of the use of the Company's registered marks, and/or usage of its name.

## K. Conflict Resolution

All Distributors are responsible to see that the Policies and Procedures are followed. Problems should be handled at the earliest possible level.

- **K-1** All violations of the Policies and Procedures should be referred in writing directly to the Company Compliance Division.
- **K-2** Distributors noticing other Policy and Procedure violations should draw them directly to the attention of the violator. This should solve most problems, as most are caused by lack of understanding.
- **K-3** If the procedure in "K-2" above does not solve the problem, violators should be reported to their upline Distributor, together with written details, such as dates, witnesses, etc.
- **K-4** If the problem isn't solved by the upline Premier, or if two disputing parties have different Premiers, the problem should be referred to the Company in writing. Distributors have a duty to bring such disagreements to Company before taking any dispute public through the filing of any action seeking judicial and/or arbitration intervention. Upon notification to Company, the Company may confer with anyone at any time concerning any alleged violation of the agreements, Policies and Procedures as may be necessary to conduct an investigation. Upon request by Company to a Distributor, all documents related directly to an

alleged violation shall be delivered to Company for examination. Upon completion of an investigation, Company may notify the involved Distributors of a hearing on the issues relating to the alleged violation(s). Any information ascertained during an investigation or hearing shall be treated as confidential, except in cases where the accused member has been determined to have violated federal, state or local statutes. If the involved Distributor(s) are unable to resolve the dispute, then, such Distributor(s) and Company shall be submitted to binding arbitration in Utah using the rules of the American Arbitration Association. Jurisdiction and venue shall be the State of Utah, in the judicial district where the Company is located. Each party having a concern shall first give notice of intent to submit to arbitration prior to filing for arbitration.

- **K-5** Distributors violating any of the Policies and Procedures may be required to cancel advertising, destroy unauthorized literature, remove offending signs, disconnect phones with no referral, and/or any other relevant remedy. Distributor authorization may be cancelled. Violators will be liable to the Company for any damages, including attorney fees, resulting from violations.

## L. Amending the Policies and Procedures

- **L-1** The Company reserves the right to amend these Policies and Procedures at any time and will publish these Policies and Procedures so that the Distributor can make examination. Distributor will be responsible to adhere to these Policies and Procedures upon publication, in any form, by Company. If the Distributor disagrees with the Policies and Procedures, the Distributor should resign.
- **L-2** Amendments shall be in effect and binding upon all XanGo™, LLC Distributors upon publication by the Company in any form generally made available to all Distributors. The most current Policies and Procedures will be available on the Company internet web site.
- **L-3** Neither XanGo™, LLC nor any Distributor shall be responsible for delays or failures in performance hereunder where performance is made commercially impracticable due to circumstances

beyond the parties reasonable control, including, without limitation, strikes, labor difficulties, riot, war, acts of terrorism, fire, acts of God, disasters, delay or curtailment of the parties usual source of supply or government decrees or orders.

- **L-4** These Policies and Procedures, the XanGo™, LLC Distributor Application and Agreement, and the instruments and documents referred to herein constitute the entire understanding of the parties with respect to the subject matter. The Distributor Applications and Agreement may be waived only by an instrument in writing signed by an authorized Compliance Division officer of XanGo™, LLC. The Policies and Procedures will be subject to amendment at the will of the Company and will be published for availability to the Distributors. Should any inconsistency arise, the Policies and Procedures and Distributor Agreement shall be controlling.
- **L-5** No failure of XanGo™, LLC to exercise any power given to it under these Policies and Procedures, Distributor Application and Agreement or to insist upon strict compliance by a Distributor with any obligation or provision hereunder and no custom or practice of the parties at variance with the terms hereunder shall constitute a waiver of XanGo™, LLC's right to demand exact compliance with these Policies and Procedures and the Distributor Agreement. Only an authorized Compliance Division officer of XanGo™, LLC, in writing, can affect waiver by XanGo™, LLC.

### **M. Incentive Trips, Awards, Executive Getaway Policies**

From time to time, the Company will award incentive programs -- possibly in the form of "getaway trips." These awards or trips are based upon high Distributor performance. The Company gives the award to the Distributor(s) whose name appears on the original application form. Because a major purpose for the award is to recognize and associate with other top company performers, the awards are not transferable. Trip substitutions will not be made. No payment or credit will be given to those that cannot (or choose not to) attend. Trip qualifiers may not defer attendance toward future trips. Children on trips may be allowed, at Distributor's expense, if the Company pre-approves.

Although the Company may pay the cost of such "getaway trips," Distributor, as an independent contractor, agrees to indemnify and hold harmless Company for any injuries sustained in association with the trip by Distributor and/or Distributor's guests. Distributor cannot make claim upon, or rely upon, any insurance policy by Company to cover the costs and expenses of any injuries to Distributor and/or Distributor's guests.

The Company is required by tax law to include the fair market value of any incentive awards, trips, etc. on the end of the year tax report (1099 and/or applicable form). The Distributor is liable for applicable taxes and agrees to hold the Company harmless from claims of tax liability relating to these incentive programs.

If it is discovered that Distributor has made any misrepresentations, or has violated any of these policies and procedures, in becoming eligible for these incentives, Company has the right to charge back the costs incurred by Company relative to these incentives.