

DIRECT LOOP, LLC.  
POLICIES AND PROCEDURES

# **POLICIES & PROCEDURES**

## **I. INTRODUCTION**

DIRECT LOOP, LLC. ("DIRECT LOOP") is proud to offer you one of the best business opportunities in the direct selling industry. DIRECT LOOP honors all international, federal, state, provincial, territorial, and local laws and regulations governing good business practices as well as the standards set by the Direct Selling Association (DSA), the trade organization representing the direct selling industry. We expect and insist that our Independent Distributors adhere to the same laws, regulations and ethical business practices. We want to help familiarize you with these important rules and regulations and explain why they require your cooperation.

### **1. EQUAL OPPORTUNITY**

The DIRECT LOOP opportunity is open to all people regardless of age, race, nationality, sex, sexual orientation, handicap, religious beliefs, marital status or political affiliations as long as the person is at the legal age in the country in which they participate and is otherwise legally capable of entering into a contractual agreement.

### **2. ETHICS**

DIRECT LOOP Independent Distributors ("you") must comply with all international, federal, state and local laws relating to your business and must not engage in any unlawful or illegal trade practices or business activity. You will observe the letter as well as the spirit of DIRECT LOOP'S Policies & Procedures by conducting your business in a manner consistent with the highest standards of honesty, integrity and responsibility in dealing with customers, other Distributors, DIRECT LOOP and the general public. Violations in ethical behavior may result in termination of your DIRECT LOOP Distributorship.

In the conduct of its business, the distributor shall safeguard and promote the reputation of the products of the Company and shall refrain from all conduct which might be harmful to such reputation of the Company or to the marketing of such products or inconsistent with the public interest, and shall avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

### **3. UNETHICAL ACTIVITY**

DIRECT LOOP Distributors must not participate in any activity that the company deems unethical. DIRECT LOOP reserves the right, in its sole discretion, to decide whether certain Distributor activities are unethical and, if determined to be so, to act accordingly including suspension or termination of the Distributorship. Examples of unethical activity include:

Wrongfully discrediting other companies, their products or their distributors who may be in competition with my business.

Inventory loading and failure to comply with the 70 Percent Rule.

Cross-sponsoring.

Writing bad checks to either DIRECT LOOP or another Distributor.

Unauthorized use of another person's credit card.

Misrepresenting the DIRECT LOOP products and making false and illegal claims about DIRECT LOOP products.

Misrepresenting the DIRECT LOOP Compensation Plan and making false income claims.

Treating customers dishonestly and unfairly.

Spamming or unsolicited sending of e-mails.

Ordering product for someone without their knowledge.

Causing someone to be on Auto Ship without their knowledge.

Engaging in any deceptive or unlawful trade practice or other illegal or unlawful activity.

Failure to adhere to DIRECT LOOP'S policies regarding advertising and promotion.

Unauthorized use of DIRECT LOOP trade names, trademarks or logos.

Misusing the DIRECT LOOP corporate name or the efforts of corporate personnel.

Unauthorized duplication of company literature.

Unauthorized use of DIRECT LOOP'S proprietary or confidential information.

Disparaging the Company, the products or the opportunities

Ignoring your responsibility to train, motivate and support all whom you enroll and/or sponsor.

#### **4. AMENDMENTS**

DIRECT LOOP specifically reserves the right to make any amendments or adjustments from time to time that it deems necessary with respect to its Rules and Regulations, Policies & Procedures, Compensation Plan and/or product pricing. Any such changes shall be incorporated as part of the Distributor Agreement between DIRECT LOOP and its Distributors effective upon written notification as published in official DIRECT LOOP materials and publications distributed to its Distributors or online through DIRECT LOOP'S website. The continuation of your DIRECT LOOP Distributorship and/or your acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

#### **5. COMPLIANCE**

It is mandatory that all Policies and Procedures be complied with. These regulations have been established to protect the rights of the Company, the Distributor, and Distributor's customers. DIRECT LOOP will always strive to be a fair and friendly company. However, actions that may be harmful to the welfare of our company, employees, customers, and most importantly our distributors, are considered very serious and will be addressed appropriately.

### **I. DISTRIBUTORSHIP**

#### **1. BECOMING A DISTRIBUTOR**

To become an DIRECT LOOP Independent Distributor, you must complete, sign and submit a Distributor Application, review DIRECT LOOP'S Policies & Procedures and pay the annual Distributor Fee. A prospective Distributor can also submit an "electronic signature" by completing DIRECT LOOP'S online Distributor Application which includes the acceptance of DIRECT LOOP'S Policies & Procedures and payment of the annual Distributor Fee. A Distributor may be an individual, partnership or corporation whose completed Distributor Application has been received and accepted by DIRECT LOOP.

No purchase other than the Annual Distributor Fee, unless prohibited by local law, is necessary to become an DIRECT LOOP Distributor. There are no requirements to make large purchases or maintain inventory. The annual Distributor Fee is not a service or franchise fee, but exists to offset costs throughout the year incurred by the company for informational materials and business tools provided to help a Distributor sell DIRECT LOOP products and build an DIRECT LOOP business. Only authorized Distributors of DIRECT LOOP may sell DIRECT LOOP products or participate in the DIRECT LOOP program. DIRECT LOOP'S products are available only to DIRECT LOOP Distributors and customers, and DIRECT LOOP will not sell or allow its products to be sold through any other distribution channel. DIRECT LOOP reserves the right, in its sole discretion, to reject any Distributor Application.

#### **2. INDEPENDENT CONTRACTOR; LICENSES; TAXES**

Once DIRECT LOOP has accepted your Distributor Application, you become an DIRECT LOOP Distributor conducting business for your own account. Distributors are independent contractors and are not

agents or employees of DIRECT LOOP. DIRECT LOOP Distributors have no authority to bind DIRECT LOOP to any obligation. As an independent contractor, you are responsible for obtaining any licenses required by law in your locality. You are responsible for the entire operation of your Distributorship, including payment of all income taxes, Social Security, unemployment and other taxes (see "Sales Tax"; "Other Taxes"). OVATION will file a Form 1099 or its equivalent for each Distributor at the close of the calendar year as required by the Internal Revenue Service (IRS). DIRECT LOOP will not withhold from the compensation due a Distributor under the DIRECT LOOP Compensation Plan any amounts for income taxes, Social Security, unemployment or other items required to be withheld from the wages of employees.

### **3. IDENTIFICATION NUMBER**

Distributor identification numbers are assigned by the company and will be sequential numbers that are referenced to the Distributor's Social Security Number (SSN). If the Distributor is a small business, partnership, or corporation, a Federal Tax Identification Number may be used which will be related to a sequential identification number. Persons providing false or misleading information submitted to the Company in the application process of becoming a Distributor are subject to termination.

For your personal security, do not share your identification number with others. DIRECT LOOP will keep all Social Security and FEIN numbers confidential. Distributors should not share their DIRECT LOOP identification number and/or password with others.

### **4. MINIMUM AGE**

In order to become a Distributor, an applicant must be at least 18 years of age or have reached the age of consent required by the state in which the applicant resides.

### **5. NO EXCLUSIVE TERRITORIES**

DIRECT LOOP recognizes no exclusive territories, and you are free to conduct business in any state or country declared open by DIRECT LOOP, subject to local laws and any limitations set forth in the Policies & Procedures.

### **6. INVENTORY REQUIREMENTS**

You are not required to purchase or store any specific amount of inventory. The DIRECT LOOP program is based on retail sales to customers, the use of products, and not on maintaining an inventory of products. As required by the 70 Percent Rule (see "70 Percent Rule") and as stated on the Distributor Order/Auto Ship Agreement, all Distributors must have sold or used at least 70 percent of their previous order from DIRECT LOOP before reordering and subsequently may be required to provide DIRECT LOOP with certification of that fact. Acceptance by you of an DIRECT LOOP product order signifies your adherence to the 70 Percent Rule. You are required to maintain all retail sales receipts for a period of two years and must furnish them to DIRECT LOOP upon request.

### **7. ONGOING FAMILIARITY AND ADHERENCE TO DIRECT LOOP'S POLICIES & PROCEDURES**

Distributors shall be familiar with all current and subsequently amended Company Policies & Procedures. As a Distributor, you must review the current Company Policies & Procedures located on the company website at [www.-----.com](http://www.-----.com) on a regular basis to ensure your familiarity. The placing of orders with DIRECT LOOP and the acceptance of Distributor commissions is a reaffirmation of such commitment to abide by all existing Policies & Procedures. A Distributor shall have the right to receive commission checks only as long as the Distributor is conducting his or her business in compliance therewith.

### **8. PRICE CHANGES**

The prices of DIRECT LOOP products and sales aids are subject to change without prior notice.

## **I. OPERATING YOUR BUSINESS**

### **1. CHANNELS OF COMMUNICATION**

You are responsible for training, motivating and supervising your downline to ensure proper operation of their DIRECT LOOP Distributorship. You are also responsible for answering all downline Distributor questions. Should you not be able to answer the questions, please first contact your upline and then the DIRECT LOOP Support Group.

## **2. PRODUCT LIABILITY INSURANCE**

DIRECT LOOP maintains a product liability insurance policy. This coverage protects the company's products should an issue arise. However, this policy may not protect you if you fail to use DIRECT LOOP products as directed or make unauthorized representations or product claims.

## **3. GENERAL CLAIMS**

DIRECT LOOP Independent Distributors will not make any exaggerated claims, statements, representations, or warranties, either verbal or written, regarding DIRECT LOOP products, income opportunity, company management, or support services. If there is any doubt about what you may or may not say, please contact the DIRECT LOOP corporate office for guidance.

## **4. EARNINGS CLAIMS**

False or misleading representations of earnings or potential earnings is strictly prohibited. Whenever earnings examples are included in advertising or relayed verbally as part of a presentation of the Compensation Plan, the Distributor must include the following income disclaimer: *"Actual earnings will vary significantly. This is only a hypothetical example used to explain the DIRECT LOOP Compensation Plan. Your earnings as an DIRECT LOOP Distributor will depend upon your own individual skill and work effort."*

## **5. GOVERNMENTAL ENDORSEMENT**

International, Federal, state and local regulatory agencies do not approve or endorse direct selling programs or products. Therefore, Distributors may not represent or imply, directly or indirectly, that the DIRECT LOOP program or its products has been approved or endorsed by any governmental agency.

## **6. PROCURING VOLUME**

Distributors may not purchase product through any Distributorship other than their own, nor may they purchase product for the primary purpose of artificially meeting personal or group sales volume qualifications or contest quotas.

## **7. PACKAGING**

You may not repackage or re-label any of DIRECT LOOP'S products

## **8. ENROLLING AND SPONSORING**

All Distributors have the right to enroll others. In addition, every person has the ultimate right to choose his or her Enroller. When describing the DIRECT LOOP program to a prospective Distributor you must present the program in its entirety without omission, distortion or misrepresentation. Additional offers, representations or agreements made in connection with the DIRECT LOOP program are strictly prohibited and may result in the termination of your Distributorship. Once the decision to enroll has been made, any sponsor changes must follow the rules set forth in the Changing Sponsors section.

If two Distributors should claim to be the Enroller of the same new Distributor, DIRECT LOOP shall investigate the dispute and make an independent determination as to the proper Enroller. All parties must accept and abide by this decision.

## **9. CHANGING SPONSORS AND ENROLLERS**

Network marketing is a business built on relationships and the retail sale and consumption of products. When a Distributor completes a Distributor Application, they are deemed enrolled and sponsored. DIRECT LOOP is committed to protecting the relationship between the Distributor and Sponsor and Enroller.

Subject to corporate approval, a Distributor desiring a change in sponsorship or enrollership can do so only if fraudulent actions or unethical sponsoring activities were used to attract the new Distributor or if the Company made an error in its initial placement of the Distributor which was not in accordance with the original Distributor Application.

A non-refundable processing fee of \$100 will be charged to the Distributor requesting a change of sponsorship and/or Enrollership. There will be no fee for the correction of a Company error.

All changes are subject to final approval by DIRECT LOOP'S Compliance Department.

#### **10. PARTICIPATION AS A DISTRIBUTOR IN MULTIPLE COMPANIES – CROSS ENROLLING/SPONSORING**

DIRECT LOOP strongly discourages the practice of working with more than one direct marketing program. However, the Company recognizes the Independent Contractor status of its Distributors. Active participation in another direct selling company may negate your recognition in DIRECT LOOP'S recognition program but is not prohibited. Therefore, there is no general prohibition against having a distributorship with another direct marketing, affiliate, or commissioned sales program (all of which are hereafter referred to as "Sales Program"). However, the following specific practices are strictly prohibited:

- a) Promoting or selling the opportunity or products of any other Sales Program to any DIRECT LOOP distributor other than those you have personally enrolled;
- b) Promoting or selling the opportunity or products of another Sales Program that offers products similar to those offered by DIRECT LOOP (including, but not limited to, roping products) to *ANY* DIRECT LOOP distributor *including* those you have personally enrolled;
- c) Co-mingling the products or services of the other Sales Program(s) with DIRECT LOOP products during meetings, trade shows, fairs, display advertising, web site, or in any other venue, media or situation;
- d) Offering any type of contact information connected to any DIRECT LOOP Distributor to another party with the intent of having the other party solicit that Distributor;
- e) Publicly or privately state, by any written or verbal means, that the products or income opportunity of the other Sales Program is superior to DIRECT LOOP'S products or income opportunity.

When a Distributor enrolls someone, an important investment is made and a valuable business relationship is formed. DIRECT LOOP feels that those valuable relationships should be protected. Furthermore, it is DIRECT LOOP'S fiduciary responsibility to protect the integrity of every Distributor's sales organization. Therefore, cross-enrolling/sponsoring between Sales Programs offering competing products is universally prohibited, and in the case of non-competing products is allowed only within the limits of those the Distributor has personally enrolled.

Basically, your conduct while pursuing other Sales Programs should be guided by one simple policy: **You must cause no harm to any other DIRECT LOOP Distributor.**

Failure to comply with this policy shall result in involuntary termination. (Also see "Cross-Sponsoring")

#### **11. TRANSFER OF DISTRIBUTORSHIP**

Each DIRECT LOOP Distributorship is personal to the Distributor and may only be transferred by sale, will or intestate succession. Transfer by sale necessitates that the following requirements be met:

The Distributor making the request must submit: a copy of the sale agreement made between the selling Distributor and the acquiring Distributor (The company reserves the right of first refusal of a sale/transfer request); a completed Distributor Application for the acquiring Distributor with the appropriate payment; and a \$100.00 Distributorship transfer fee. No changes in the line of sponsorship can result from the transfer of a Distributorship without first completing the appropriate steps. For further details regarding the procedures for transferring a Distributorship, please contact the DIRECT LOOP Compliance Department at the home office. All transfers of Distributorships are subject to final approval by the DIRECT LOOP Compliance Department.

## **12. DISTRIBUTOR RENEWAL**

Your DIRECT LOOP Distributorship must be renewed annually. DIRECT LOOP will begin to notify you via e-mail and/or post card approximately 60 days prior to your renewal date. As a convenience, the annual renewal fee will be deducted automatically when due using the Distributor's payment information on file with the Company. You must contact DIRECT LOOP Customer Service by your anniversary date if you do not wish to renew using your payment method on file or if you wish to change your payment method for your renewal. You may also renew your Distributorship online (if applicable).

## **13. NON-RENEWAL ACTION**

If a Distributor notifies the Company of a desire to resign their rights to a Distributorship, the Distributorship will be retired as a voluntary resignation of rights and all rights to sell Direct loop products, to commissions and bonuses, whether earned or not, and marketing position in the Direct loop genealogies will cease immediately at the date of resignation. The date of resignation shall be the date upon which the Distributorship expires.

If a Distributor does NOT notify the company of intent to resign a Distributorship but has no payment information on file or the payment information on file is rejected for any reason, the Distributorship will be marked "expired" on the Distributor's anniversary date. Expired means the Distributor is placed in a probationary status with the Distributor having 30 days to submit the appropriate Distributor Renewal fee. A Distributor on probation is eligible to be paid for that commission period if qualified. If a Distributorship is not renewed from expired status in 30 days, the Distributorship is retired as a voluntary resignation of rights and all rights to sell Direct loop products, to commissions and bonuses, whether earned or not, and marketing position in the Direct loop genealogies will cease immediately at the date of resignation. The date of resignation shall be the date upon which the Distributorship expired plus 30 day probationary period.. See the section on Voluntary Resignation of Rights for further information.

## **14. REPORTS; CONFIDENTIALITY**

DIRECT LOOP is fully committed to protecting the privacy of its Distributors; therefore, Distributors must not disclose or distribute any DIRECT LOOP downline organization reports. The identity of DIRECT LOOP'S Distributors is a proprietary trade secret.

Information contained in any online or offline report or statement provided to you by DIRECT LOOP is the proprietary and confidential information of DIRECT LOOP and is transmitted to you in confidence. You agree not to disclose such information to any other person, firm or corporation, whether directly or indirectly, nor use said information for the purpose of competing with DIRECT LOOP or for any purpose other than promoting DIRECT LOOP'S business. You and DIRECT LOOP agree that without this agreement of confidentiality and nondisclosure, DIRECT LOOP would not provide this information to you.

## **15. VOLUNTARY RESIGNATION OF RIGHTS**

The Distributor Agreement may be voluntarily cancelled at any time and for any reason by notifying DIRECT LOOP of the election to resign/cancel. For the protection of your business asset, a signed letter of resignation must be submitted. DIRECT LOOP will, at the request of the Distributor, repurchase products from their last order at 90 percent of the net cost (see "Distributor Returns") and apply the 70 Percent Rule to any other product returns. Upon voluntary resignation, the Distributor will be eligible to reapply for an DIRECT LOOP Distributorship under a new sponsor 3 months from the resignation date. However, no voluntary resigned Distributor may re-enroll any of his or her original downline organization. No Distributor re-entering the DIRECT LOOP business after the required 3-month period may re-enter the DIRECT LOOP business by having the Distributorship, partial or whole, of any existing DIRECT LOOP Distributorship transferred to them in any manner. In the event of voluntary resignation or involuntary termination, at the sole discretion of the company, the commissions for the Distributor's downline will roll up. Distributors may not recruit or enroll any other DIRECT LOOP Distributor or customer into another direct selling, multilevel marketing or network marketing business, and must not do so for one year from the date of the Distributor's voluntary resignation or involuntary termination from DIRECT LOOP (see "Cross Sponsoring").

Any Distributors enrolled by the resigned Distributor will be assigned to the Enroller of the voluntary resigned Distributor. All agreements between DIRECT LOOP and the Distributor will be rendered null and void with no further force and effect. DIRECT LOOP is not responsible for items lost or returned due to outdated addresses or invalid e-mail addresses, which may then result in the retirement of your Distributorship by DIRECT LOOP.

## **16. INVOLUNTARY TERMINATION**

The company reserves the right to involuntarily terminate a Distributor who has been inactive (has not ordered product) for six consecutive months. Involuntary termination may also occur as a result of Disciplinary Action. An involuntarily terminated Distributor as a result of Disciplinary Action may not reapply for a new Distributorship for at least 12 months and only with the written permission of an DIRECT LOOP corporate executive.

# **I. ORDERS, RETURNS AND SHIPPING**

## **1. DISTRIBUTOR INITIAL PRODUCT PURCHASE GUARANTEE**

All DIRECT LOOP Distributors have a 30-day, 100 percent satisfaction guarantee on their initial product purchase. If a Distributor is dissatisfied with their product and contacts the company within 30 days, DIRECT LOOP will refund the full purchase price of unused portion of any initial order less shipping charges and annual Distributor fee within 30 days of receipt..

## **2. INVENTORY LOADING/70 PERCENT RULE**

The DIRECT LOOP Compensation Plan is based on retail product sales to customers and personal consumption. It is not based on maintaining a product inventory. Inventory loading is prohibited. Distributors are strictly prohibited from purchasing products or encouraging other Distributors to purchase products solely for the purpose of qualifying for commissions or bonuses.

In order to ensure that no inventory loading occurs, each Distributor, at the time of each order, must certify that 70 percent of his or her previous order has been sold or consumed by end users, and must be able to verify such certification. Each Distributor must maintain all retail receipts for a period of two years and must furnish them to DIRECT LOOP upon request. If a Distributor does not comply with these requirements or if he or she falsely represents the amount of products sold or used, the Distributor is subject to discipline by DIRECT LOOP, which could lead to the involuntary termination of the person's DIRECT LOOP Distributorship (see "Termination Procedure; Discipline Action"). Failure to comply with the 70 Percent Rule will exempt those products from DIRECT LOOP'S refund policy (see "Distributor Returns"). Each Distributor acknowledges that DIRECT LOOP is relying on such certifications in paying Distributor commissions.

## **3. CUSTOMER GUARANTEE**

If a Customer is dissatisfied with their product for any reason, DIRECT LOOP will refund the full purchase price of any unused order that was placed directly with DIRECT LOOP (less shipping charges) within 30 days of receipt (see "Return Merchandise Authorization"). When a retail sale is made directly from Distributor to customer, you are required to provide a Retail Sales Receipt to the customer. If a retail customer is dissatisfied with the products for any reason, he or she may return them to you within 30 days of the sale. It is your responsibility to refund the purchase price promptly. To obtain a replacement product from DIRECT LOOP, you must send us a copy of the completed Retail Sales Receipt and written explanation for the requested item. Upon receipt, DIRECT LOOP will issue a Return Merchandise Authorization (RMA) number to return the unused portion of the product to DIRECT LOOP for exchange (see "Return Merchandise Authorization").

## **4. SALES TAX**

Sales taxes are levied by various agencies of state, county and local governments. DIRECT LOOP products and sales aids are subject to sales tax, depending on the location to which they are shipped. These taxes are collected by DIRECT LOOP and remitted to the appropriate agencies. The collection of sales tax is not a

revenue source for DIRECT LOOP. The DIRECT LOOP business is based on the retail sale of products to customers; therefore, all sales taxes are based on suggested retail prices. However, Auto Ship orders are deemed for personal consumption and therefore sales taxes are calculated on the wholesale price.

A Distributor may elect to collect and remit their own sales taxes by registering with their state or local sales tax agency. In this instance, a Distributor may submit their sales tax license or exempt certificate to the company. A current/valid sales tax exemption will only apply to current and future orders. It does not get applied retroactively or to orders shipped to other individuals/other addresses.

#### **5. OTHER TAXES**

Due to the fact that all DIRECT LOOP Distributors are independent contractors, DIRECT LOOP does not deduct any taxes from commission or bonus checks. DIRECT LOOP will issue a Form 1099 or equivalent at the end of each calendar year, which reports all of the income paid to you by DIRECT LOOP, as required by the IRS.

#### **6. SHIPPING POLICY**

Products will be shipped as soon as possible after receipt and payment of an order. Typically, shipments occur for most orders within 24 hours of the processing of the order. If DIRECT LOOP is temporarily out of stock on ordered merchandise, you will receive a back-order notice with your shipment. Payment will be collected at the time of the order to safeguard fulfillment of commission program requirements. Back orders are filled first when new inventory arrives. Commissionable Volume of back-ordered items is credited to the week/month in which DIRECT LOOP was authorized to collect payment for the original order.

#### **7. ORDERING POLICY**

All orders must be placed directly with DIRECT LOOP in order to receive proper volume credit. To ensure accuracy and validity of orders, you should personally place your own orders. No other person can place an order on your behalf without your authorization. Additionally, you must personally pay for your orders with your own credit card, debit card, cash, money order or check. Failure to abide by these rules is grounds for disciplinary action.

Any Distributor found submitting false banking information with regard to credit card information will be subject to disciplinary action and forfeit any and all income, earned or unearned, at that time.

#### **8. DISTRIBUTOR IDENTIFICATION NUMBER (DIN)**

By submitting a Distributor Agreement, you will be assigned an DIRECT LOOP Distributor Identification Number (DIN). AN DIRECT LOOP DIN will automatically be assigned to you by DIRECT LOOP upon acceptance of your DIRECT LOOP Distributor Agreement (online or offline) and will be used to assign you credit for orders through phone, fax or Internet

#### **9. AUTO SHIP PROGRAM**

DIRECT LOOP offers a monthly Auto Ship Program for your convenience. This enables you to receive a customized order at a predetermined time each and every month. Payment is automatically deducted from your payment method on file.

The company only ships Auto Ship orders from the 1<sup>st</sup> to the 20<sup>th</sup> day of each month. All Auto Ship orders received between the 21<sup>st</sup> and last day of the month are moved and shipped on the 20<sup>th</sup> of each month thereafter. DIRECT LOOP reserves the right to process Auto Ship orders two days prior to the scheduled date due to weekends, holidays or weather-related events.

It is the responsibility of the Distributor to ensure that a valid payment option is on file to process their Auto Ship order.

Changes to your Auto Ship order can be made through your back office. Cancellations must be received no later than five (5) business days prior to the billing/ship date. DIRECT LOOP reserves the right to process

changes and cancellations as necessary. It is the responsibility of the Distributor to ensure changes have been made.

**Backorders:** Items that are on backorder will be shipped as soon as inventory becomes available but will be charged in the normal Auto Ship time in order to preserve commission and bonus qualification requirements.

#### **10. DISTRIBUTOR RETURNS (NON-INITIAL PURCHASE)**

After the initial purchase, an DIRECT LOOP Distributor may only return products after voluntarily resigning from the company (see "Voluntary Resignation") or for exchange for other products. DIRECT LOOP Distributors may return "resalable," unused products with current labels and intact seals in good condition. This product must be shipped back (prepaid) to DIRECT LOOP. The right of return for refund will expire 6 months after resignation or termination.

**The Voluntary Resigned and/or Terminated Distributor** All Distributors purchases made prior to the date of resignation or termination may return all unencumbered products in a resalable condition then in their possession, which have been purchased within 12 months of cancellation, shall be repurchased. The repurchase shall be at a price of not less than ninety percent (90%) of the original net cost to the distributor returning such goods, taking into account any sales made by or through such distributor prior to notification to the Company of the election to cancel, less any compensation previously credited to the Distributor for purchasing the inventory returned and uncollectible commissions paid to the upline. Any compensation paid to the Distributors upline will be deducted in the form of an adjustment to the next commission payout. Refunds will not occur on any inventory certified as being "sold" under the 70 Percent Rule required for Distributor orders (see "70 Percent Rule").

The company will honor statutory mandated buyback requirements of every jurisdiction.

**The exchange for other products** will be credited based the original purchase price as a credit less a 10 percent restocking fee.

Opened products, partial product packs, Distributor Kits and their components, discontinued or opened sales tools, and products purchased from other independent Distributors are not refundable or exchangeable.

#### **11. RETURN PRODUCT AUTHORIZATION**

Any product being returned to DIRECT LOOP must include a Return Product Authorization (RPA) number issued by the DIRECT LOOP Product Returns Department. The RPA issued will be valid for 30 days. Only authorized returns that bear the appropriate RPA number will be honored. We will not honor or be responsible for any unauthorized return. Any and all shipping or courier costs for the return of products are the sole responsibility of the Distributor. It is recommended that a reliable, traceable, and insurable courier be used for shipping. Should the package contain damaged product (therefore rendering them non-resalable) the Returns Department will reject the return. Refusal to accept shipment of an order is not considered an acceptable form of return and will result in a Distributor's termination.

When the above procedure has been completed and the return has been verified, a refund for the purchase will be issued in the original form of payment within 30 days.

## **I. DISTRIBUTOR ADVERTISING AND PROMOTION**

### **1. GENERAL**

DIRECT LOOP encourages advertising and promotion as a viable method for you to build your business. However, strict guidelines are necessary to maintain an ethical marketing effort and create a level playing field for all distributors. As an DIRECT LOOP Distributor, you are an independent contractor and shall not represent yourself as an DIRECT LOOP employee. Further, you can in no way state or otherwise imply that you, or any new Distributor, will be employed by DIRECT LOOP. Corporate-approved audiocassettes and phone message recordings must identify you as a Distributor at the beginning of the message.

## 2. PROMOTION

You can promote your business in any legal and ethical manner you desire, without misrepresenting DIRECT LOOP, its products, company or business. You may not make direct or implied claims regarding DIRECT LOOP'S products, nor make false financial claims about the business. No reproduction of DIRECT LOOP literature or labels, in part or whole, is allowed without written company approval. All DIRECT LOOP literature is copyrighted and cannot be duplicated in any form without written company approval. This restriction includes but is not limited to photocopies, graphic reproductions, translated verbiage, corporate/product photos and copy taken in part and/or out of context. You cannot state or imply that DIRECT LOOP approves or endorses any privately produced motivational literature or training materials used within your organization. You can promote DIRECT LOOP products with the condition that the products are not shown or displayed with any other products that are sold through the network marketing distribution channel.

## 3. DISTRIBUTOR ADVERTISING - GENERAL

Any use of print, Internet, radio or other form of advertisement must indicate that you are an independent contractor or Distributor of DIRECT LOOP. This includes business cards, post cards, flyers, etc. Questions about third-party vendors or inquiries should be directed to the DIRECT LOOP Compliance Department.

## 4. RESALE PRICE AND ADVERTISING POLICY

DIRECT LOOP must properly position its line of products and provide DIRECT LOOP Distributors with the appropriate policies needed for individuals who give their time and resources to the DIRECT LOOP marketing and distribution system. As a result of this, DIRECT LOOP must exercise greater control over the reselling and advertising aspects of the distribution of its products. These policies apply to all advertising activities, including web activity.

In Network Marketing, one of the key things that makes this distribution model work is a "level playing field" for all Distributors and customers. When Distributors try to "under-cut" each other, it creates havoc and mistrust in the organization and cheapens the image of both the Company and its products.

Therefore, the advertising and sale of DIRECT LOOP products will be subject to the following Resale Price and Advertising Policy. This Policy will be strictly and uniformly enforced by DIRECT LOOP.

The Resale Price and Advertising Policy is as follows:

Although individual DIRECT LOOP Distributors remain free to establish their own resale prices, DIRECT LOOP will, without assuming any liability, cancel all orders and will indefinitely refuse to accept any new orders from any Distributor immediately following DIRECT LOOP'S verification to its sole satisfaction that such Distributor has **advertised, offered, or sold any DIRECT LOOP product at a retail sales price, exclusive of state and local taxes, that is less than DIRECT LOOP'S suggested single unit retail price as published in the DIRECT LOOP product price list.**

This does not preclude offers of free shipping. This Policy applies to the promotion, advertising, and sale of DIRECT LOOP products over the internet as well as general retail venues including stores, kiosks, trade shows, fairs, auctions, ropings, and other sales events.

The terms of the Policy are non-negotiable and will not be altered for any Distributor.

No DIRECT LOOP Corporation representative is authorized to modify or grant any exception to this Policy. All questions regarding the interpretation or application of this Policy must be directed to DIRECT LOOP'S compliance department.

DIRECT LOOP products are not to be sold to Preferred Customers at a price below Distributor wholesale pricing, and are not to be sold at wholesale to any person who is not qualified to receive wholesale pricing.

## 5. PUBLIC ADVERTISING - MEDIA

All advertising, flyers, press releases, statements made on telephone answering machines, direct mailing pieces, radio, TV, newspaper, Internet and display copy must be approved by DIRECT LOOP before being

disseminated or published. DIRECT LOOP Distributors may not represent DIRECT LOOP to the media (in advertising, news or special interest features or in any other category) without the express written consent of DIRECT LOOP. All media inquiries are to be referred immediately to the DIRECT LOOP corporate office. The use of public advertising media to advertise DIRECT LOOP products or the DIRECT LOOP business opportunity is restricted and may be utilized only with written company approval. Restricted public advertising media are any television network or cable broadcast, radio or other electronic media, billboards, or arenas.

#### **6. TELEMARKETING/FAX BROADCASTING/SPAMMING**

Distributors are strictly forbidden from transmitting unsolicited faxes, unsolicited email, or "spamming" to in any way promote their DIRECT LOOP business. The terms "unsolicited faxes" and "unsolicited email" mean the transmission via telephone facsimile or electronic mail of any material promoting DIRECT LOOP, its products, income opportunity, or any other aspect of the Company. The only exceptions are faxes or email to:

- a) any person with that person's prior express invitation or permission;
- b) any person with whom the Distributor has an established business or personal relationship.

Automated telephone solicitation equipment is prohibited. Telemarketing calls may only be made to:

- a) any person with that person's prior express invitation or permission;
- b) any person with whom the Distributor has a current business or personal relationship;
- c) any person that the Distributor is certain is not on the Federal Do Not Call Registry.

There are severe penalties imposed by federal regulators for violation of telemarketing laws. It is the Distributor's responsibility to verify that any lead supply source has, within the last thirty (30) days, "scrubbed" (omitted) from their lead lists for sale all people who are on the Federal Do Not Call Registry.

#### **7. PUBLIC ADVERTISING – INTERNET**

A Distributor may independently host a website but shall not use the names, logos, product descriptions and graphic images of any DIRECT LOOP products, product lines, or corporate entities without prior written permission from DIRECT LOOP. Any and all content, including modifications for independent websites must be submitted and approved in writing prior to posting on the internet. However, the DIRECT LOOP name and product names may be used in search engine Meta tags.

Any internet ads, banners, or search engine descriptions that involve DIRECT LOOP products or pricing must also be reviewed by the corporate office prior to being posted. Content will be approved on a first-come, first-served basis. A Distributor may not use a "blind" ad on the internet, making product, pricing, or income claims associated with DIRECT LOOP or DIRECT LOOP products. DIRECT LOOP reserves the right to reject any internet content

Should DIRECT LOOP come aware of any non-approved individual DIRECT LOOP Distributor website, the DIRECT LOOP Distributor will be notified by the DIRECT LOOP compliance department and the non-approved website must be closed or brought into compliance within 24 hours of notice, or DIRECT LOOP'S corporate attorney will be engaged with all attorney fees and costs billed to the offending website owner.

Distributors are prohibited from displaying a website that would give visitors the impression they are viewing the DIRECT LOOP corporate website.

Under no circumstances may a Distributor use any DIRECT LOOP trademarked name (for example: trademarked products and phrases) in registering any domain name on the internet. Negative comments, including false or speculative statements about another Distributor's website will not be allowed, and will result in the involuntary termination of a Distributor's website and/or DIRECT LOOP Distributorship.

All DIRECT LOOP Distributors must abide by U.S. copyright and licensing rules and laws with regard to content and images they may use to personalize their website.

#### **8. REVIEW OF DISTRIBUTOR ADVERTISING COPY**

At the request of the Distributor, DIRECT LOOP will review advertisements created by the Distributor for compliance of DIRECT LOOP'S Policies & Procedures. However, only company-issued materials reflect the position of the company with respect to the uses and benefits of any product or service. Any advice provided by the company regarding advertising should not be considered approval by DIRECT LOOP. Distributors are personally liable for any and all advertising and media they produce. All advertisements, including those of a "blind" nature, i.e., without use of any corporate identities; any media, including newspaper ads, audio cassettes or videotapes, recorded messages, posters, flyers, promotional items, etc. are the sole responsibility of the Distributor.

Distributors agree to indemnify and hold DIRECT LOOP harmless from any claims made as a result of advertising and promotional materials produced and distributed by the Distributor. If an advertisement published by a Distributor contains non-compliant product and/or income claims (as set forth by the FDA, FTC or DSA), disciplinary action may be taken against the Distributor. Although the Distributor is personally responsible for the content of every advertisement, the company may take action when DIRECT LOOP Distributor or corporate logos, product names or compensation plan are listed, or when any harm to the Company may result from the claims as determined by the Company.

#### **9. COMPANY NAMES, TRADEMARKS AND LOGOS**

DIRECT LOOP employee names, corporate names, Distributor lists and information, trademarks or logos are proprietary and may not be used in any manner, including in the reproduction of literature (partial or whole) or in any advertisement. This includes domain names, URLs and e-mail addresses. Distributor agrees not to use any written, printed, recorded or any other material in advertising, promoting or describing the product or the Company marketing program, or in any other manner, any material which has not been copyrighted and supplied by the Company, unless such material has been submitted to the Company and approved in writing by the Company before being disseminated, published or displayed.

#### **10. RECORDED MESSAGES**

All recorded messages (audiocassettes, DVD'S, phone message recordings, etc) that are referenced in any form of advertising that include DIRECT LOOP or DIRECT LOOP products, names, trademarks or logos must identify you as a Distributor at the beginning of the message.

#### **11. FAIRS AND TRADE SHOWS**

You can promote DIRECT LOOP products at fairs and trade shows as long as DIRECT LOOP products are not shown or displayed with any other products that are sold via network marketing.

#### **12. RETAIL OUTLETS**

DIRECT LOOP recognizes the Independent Contractor status of its Distributors. Therefore, there is no specific prohibition against placing DIRECT LOOP products in retail stores.. This policy also does not prohibit a retail store owner from being a Distributor. Pricing in a Retail display must adhere to the DIRECT LOOP Retail Price Advertising Policy.

## **I. LEGAL ISSUES**

### **1. COMPLIANCE**

It is mandatory that all DIRECT LOOP Distributors strictly comply with all of DIRECT LOOP'S Policies & Procedures. The Policies & Procedures have been prepared for the protection of DIRECT LOOP and its Distributors. Because violations can jeopardize both DIRECT LOOP'S business and yours, they will be considered extremely serious and can result in termination and the loss of all Distributor benefits. Each Distributor agrees to indemnify and hold harmless DIRECT LOOP, its management and officers, and any

of its affiliated companies from any claim, action or liability asserted arising out of the Distributor's actions, omissions or representations in enrolling, sponsoring or conducting the Distributor's independent DIRECT LOOP business.

## **2. INDEMNIFICATION**

Distributors are fully responsible for all of their verbal or written statements regarding DIRECT LOOP products, services, and compensation plan which are not expressly contained in official company material. As such, DIRECT LOOP Distributors agree to indemnify DIRECT LOOP, and its directors, officers, agents, and employees, and hold them harmless from any and all claims, damages, or liability. That includes, but is not limited to judgments, civil penalties, refunds, legal fees, court costs, damages or lost business incurred by DIRECT LOOP as a result of the Distributor's unauthorized representations or actions. This provision shall survive the termination of the Distributor Agreement.

## **3. ENFORCEMENT**

Upon notification of violation of an DIRECT LOOP policy, the company will first verify that a violation has actually occurred. Many times violations are reported by other Distributors and it's imperative that the company first verify the accuracy of the claim. Upon verification of a violation, the company will implement the following steps:

A certified letter is sent to the offending Distributor informing them of the violation and referencing the specific Company Policy that has been violated. This is generally a "cease and desist" notification requesting that the violation be immediately resolved. The letter asks the distributor to respond within 10 business days.

If no response is received from the first letter within 10 business days, a second certified letter is sent that informs the Distributor that they have five (5) business days to respond and take corrective action. They are also informed that the next step is termination.

If no response is received from letter two they are immediately involuntarily terminated.

In the event of termination, either voluntary or involuntary, and at the company's sole discretion, take other disciplinary actions for violations of the Distributor Agreement, including but not limited to suspension of the offending Distributor, denial of advancement or recognition awards, loss of rights to one or more commission checks or imposition of fines.

## **4. PARTIAL INVALIDITY**

If any portion of these Policies & Procedures or the Distributor Agreement is declared invalid by a court of competent jurisdiction, all other parts shall remain in full force and effect.

## **5. CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

Downline reports and all other reports and genealogical information, including, but not limited to, downline sales organization information and commission recap statements, are proprietary and confidential to DIRECT LOOP. Every Distributor who is provided with such information must treat it as confidential and take care to maintain its secrecy and refrain from making any use thereof for any purpose other than furthering the sale of DIRECT LOOP products, prospecting, training and sponsorship of third parties who may desire to become DIRECT LOOP Distributors and to further build and promote your DIRECT LOOP business.

## **6. LENGTH OF AGREEMENT**

All policies agreed to within the Distributor Agreement, and the Policies & Procedures, transcend and survives the date of termination or resignation for a period of five (5) years.

## **7. GOVERNING LAW, JURISDICTION AND VENUE**

These Policies and Procedures, the Compensation Plan, and the Distributor Agreement are governed by the laws of the state of Idaho unless the laws of the state in which a Distributor resides expressly require the application of its laws. The parties agree the proper jurisdiction and venue of any matter not subject to arbitration shall be in the courts of Bonneville County within the state of Idaho unless the laws of the state in which a Distributor resides expressly require the application of its laws, in which case that state's laws shall govern all issues related to jurisdiction and venue. The Distributor Agreement shall be binding upon the successors and assigns of both parties.

## **8. ARBITRATION**

Any controversy or claim relating to these Policies & Procedures, the Compensation Plan, or the Distributor Agreement or any breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. If a Distributor wishes to bring an action against DIRECT LOOP for any act or omission relating to the Distributor Agreement, such action must be brought within 180 full days from the date of the alleged conduct giving rise to the cause of action. Failure to bring such action within 180 full days shall bar all claims by Distributor against DIRECT LOOP for such act or omission. Distributor waives all claims that any other statute of limitation applies. Distributors waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in Bonneville County, State of Idaho unless the laws of the state in which a Distributor resides expressly require the application of its laws, in which case the arbitration shall be held in the capital of that state. The parties shall be entitled to all discovery rights allowed under the Federal Rules of Civil Procedure. No other aspects of the Federal Rules of Civil Procedure shall be applicable to an arbitration. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a thorough understanding of the direct selling industry, selected from the panel which the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of the Distributor Agreement. Nothing in the Distributor Agreement shall prevent DIRECT LOOP from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction or other relief available to safeguard and protect DIRECT LOOP'S interest prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

The intent of this section is to significantly reduce the cost of any legal proceeding to both parties as well as to increase the speed in which it proceeds.

## **9. ENTIRE AGREEMENT**

The Distributor Agreement, Compensation Plan and Policies & Procedures constitutes the entire agreement between the Distributor and DIRECT LOOP, and no other promises, offers, representations, agreements or understandings of any kind shall be binding on DIRECT LOOP, unless made in writing and signed by an authorized officer of DIRECT LOOP. The Distributor must agree to comply with all federal, state and local laws relating to his or her business and not engage in any unlawful or illegal trade practice or business activity. These Policies & Procedures govern the way a Distributor does business with DIRECT LOOP, other Distributors and retail customers. Together with the DIRECT LOOP Compensation Plan and the Distributor Agreement, these Policies & Procedures constitute a complete contract between Distributors and DIRECT LOOP.

## **10. EXAMPLES**

All examples provided within the Distributor Manual, Distributor Agreement, and the Policies & Procedures, are not meant to be all inclusive and are provided for clarification purposes only.

## **11. WAIVER**

The Company never gives up its right to insist on compliance with these rules or with the applicable laws governing the conduct of a business. This is true in all cases, both specifically expressed and implied, unless an officer of the Company who is authorized to bind the Company in contracts or agreements specifies in writing that the Company waives any of these provisions. In addition, any time the Company gives permission for a breach of the rules, that permission does not extend to future breaches. This provision deals with the concept of "waiver," and the parties agree that the Company does not waive any of its rights under any circumstances short of the written confirmation alluded to above.

## **12. AMENDMENT**

DIRECT LOOP reserves the right, at its sole discretion and when absolutely necessary, to make amendments to Company policies, the Distributor Agreement, product pricing, or the marketing and compensation plans without prior notification. By signing the Distributor Agreement, the Distributor agrees to abide by any such amendments.