

# POLICIES AND PROCEDURES

Rules to Live By  
Compliance Department  
JULY 2010

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### **SECTION 1 - PURPOSES OF POLICIES AND PROCEDURES**

LifeVantage Corporation has developed the following guidelines to assist in the success of the Company and its Independent Distributors. These Policies and Procedures will help provide the following benefits:

- + Protect the rights of all Independent Distributors by providing a framework within which each Independent Distributor may work in an ethical, effective and secure manner.
- + Provide an equal and level playing field of opportunity to all LifeVantage Independent Distributors
- + Define the contractual relationship between LifeVantage and its Independent Distributors
- + Inform Independent Distributors regarding compliance issues and regulatory requirements LifeVantage requires that all Independent Distributors understand and abide by these Policies and Procedures as we work together in promoting the LifeVantage products and opportunity.

### **SECTION 2 - INTRODUCTION**

#### **2.1 - Policies and Procedures Plan Incorporated into Independent Distributor Agreement.**

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

#### **2.2 - Purpose of Policies**

LifeVantage is a direct sales company that markets products through Independent Distributors. It is important that all Independent Distributors understand that their success is dependent upon the integrity of all men and women who market LifeVantage products. To clearly define the relationship that exists between Independent Distributors and LifeVantage, and to explicitly set standards for acceptable business conduct, LifeVantage has established the Agreement. LifeVantage Independent Distributors are required to comply with all of the Terms and Conditions set forth in the Agreement, as well as all federal, state, and local laws governing their business and their conduct. It is very important that all Independent Distributors read and abide by the Agreement. Please review the information in this manual carefully. It explains and governs the relationship between Independent Distributors and the Company. Any questions regarding any policy or rule should be directed to

LifeVantage.

### 2.3 - Changes to the Agreement

Because federal, state, and local laws, as well as the business environment periodically change, LifeVantage reserves the right to amend the Agreement (including the Distributor Application, Terms and Conditions and Policies and Procedures) and its prices in its sole and absolute discretion. The Company shall provide or make available to all independent Distributors a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company's official web site; (2) electronic mail (e-mail); (3) fax-on-demand; (4) voice mail system broadcast; (5) inclusion in Company periodicals; (6) inclusion in product orders or bonus checks; or (7) special mailings. The most current and only definitive version will be located at [www.LifeVantage.com](http://www.LifeVantage.com). It is the responsibility of all independent Distributors to regularly review [www.LifeVantage.com](http://www.LifeVantage.com) for the most recently published amendment. Unless otherwise provided, amendments shall be effective upon publication on the Company's website. Once the amendment(s) are published, the Independent Distributor(s) can elect to accept the amendment(s) or reject them. If the Independent Distributor rejects them, their Agreement will terminate at the end of its term and will not be renewed. If the Independent Distributor continues to Enroll and/or accept Rebates, Commissions or Bonuses from LifeVantage, such actions shall be deemed acceptance of the amendments.

### 2.4 - Delays

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

### 2.5 - Policies and Provisions Severable

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

### 2.6 - Waiver

The Company never gives up its right to insist on compliance with the Agreement and with the applicable laws governing the conduct of a business. No failure of LifeVantage to exercise any right or power under the Agreement or to insist upon strict compliance by an Independent Distributor with any obligation or provision of the Agreement, and no custom or practice of the parties at variance with the terms of the Agreement, shall constitute a waiver of LifeVantage's right to demand exact compliance with the Agreement. Waiver by LifeVantage can be affected only in writing by an authorized officer of the Company. LifeVantage's waiver of any particular breach by an Independent Distributor shall not affect or impair LifeVantage's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other Independent Distributor. Nor shall any delay or omission by LifeVantage to exercise any right arising from a breach affect or impair LifeVantage's rights as to that or any subsequent breach. The existence of any claim or cause of action of an Independent Distributor against LifeVantage shall not constitute a defense to LifeVantage's enforcement of any term or provision of the Agreement.

## SECTION 3 - BECOMING AN INDEPENDENT DISTRIBUTOR

### RULES OF CONDUCT

Each Independent Distributor promises to:

1. Handle themselves and their business dealings honestly, morally, and legally.
2. Keep their activities honorable to reflect well of themselves and of LifeVantage.
3. Speak well of LifeVantage, as well as competitors.
4. Honestly present the product in keeping with what is set forth in the LifeVantage literature including references to health claims and benefits.
5. Explain the Compensation Plan honestly and completely as set forth in the LifeVantage Corporate materials. Each Independent Distributor will respect the privacy of others and keep their personal earnings and the earnings of others private.
6. Take their enroller and upline responsibilities seriously including readily training, aiding, and supporting those in their downline.
7. Abide by the Product guarantee and return policies for themselves and for their customers.
8. Respect the professional relationships between LifeVantage and any of its advisors, endorsers or affiliates by speaking of

- them appropriately as set forth in the LifeVantage policies and refraining from making contact with them.
9. Direct all media inquiries to LifeVantage.
  10. Maintain a healthy distance between other Enrollers and Enrollees to avoid a conflict of interest.
  11. Adhere to the agreement between themselves and LifeVantage as set forth in all LifeVantage policies and applications.
  12. Conduct their business professionally in order to help protect the LifeVantage opportunity for all.

### 3.1 - Requirements to Become an Independent Distributor

To become a LifeVantage Independent Distributor, each applicant must:

3.1.1 - Be 18 years of age; or 16 years of age with a parent/guardian on the account as a signer.

3.1.2 - Have a valid Social Security or Federal Tax ID number;

3.1.3 - Purchase a LifeVantage Starter Kit (not applicable in North Dakota);

3.1.4 - Submit a properly completed and signed Independent Distributor Application and Agreement to LifeVantage.

The Company reserves the right to reject any applications for a new Independent Distributor or applications for renewal. The Independent Distributor Agreement is effective upon acceptance of the Application and Agreement by the Company as defined by the Terms and Conditions section 1.2.

### 3.2 - New Independent Distributor Registration by Phone, Fax or Internet

In addition to registering online or with a paper Independent Distributor Application and Agreement, a potential new Independent Distributor may call LifeVantage customer service during regular business hours to receive a temporary Independent Distributor Identification Number ("DIN") and temporary authorization for a new Independent Distributor. (See the front of the Independent Distributor Application and Agreement for phone numbers.) The caller must be able to provide all necessary Independent Distributor Agreement information over the telephone. A new Independent Distributor Starter Kit may be ordered at that time using a valid credit card. When phoning in an application, until LifeVantage has received the hard copy with all current information from the Independent Distributor, (by fax or mail), the Independent Distributor's account will be on a hold basis and not allowed to receive commissions.

The new Independent Distributor's DIN and authorization will be valid for 30 days, pending receipt of the completed and signed original Independent Distributor Application and Agreement by LifeVantage. Once the original Independent Distributor Application and Agreement is received by LifeVantage, the new Independent Distributor Agreement will be extended to one full year from the date on which the DIN was issued. If the new Independent Distributor Application and Agreement is not received within the temporary 30-day time period, the temporary authorization shall expire, the DIN will be canceled, and the Independent Distributor Application and Agreement will be automatically terminated. An applicant may also register by faxing a properly completed Independent Distributor Application and Agreement to LifeVantage. Independent Distributors registering by fax must use a credit card to purchase the Starter Kit and must ensure that they fax both the front and the back of the Application and Agreement to LifeVantage. The correct fax number is listed on the Application and Agreement.

### 3.3 - Renewal of Your LifeVantage Business

The term of the Independent Distributor Agreement is one year from the date of its acceptance by LifeVantage. A renewal fee of \$25 will be required and billed each successive year on the yearly anniversary date of the Independent Distributor Agreement. Once the annual renewal fee has been collected, the Agreement will be renewed provided the Independent Distributor is in good standing and the Agreement has not been cancelled as provided herein.

## **SECTION 4 - OPERATING A LIFEVANTAGE BUSINESS**

### 4.1 - Adherence to the LifeVantage Compensation Plan

Independent Distributors must adhere to the terms of the LifeVantage Compensation Plan as set forth in official LifeVantage materials. Independent Distributors shall not offer the LifeVantage opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official LifeVantage literature. Independent Distributors shall not require or encourage other current or prospective Independent Distributors to participate in LifeVantage in any manner that varies from the program as set forth in official LifeVantage materials. Independent Distributors shall

not require or encourage other current or prospective Independent Distributors to execute any agreement or contract other than official LifeVantage agreements and contracts in order to become a LifeVantage Independent Distributor. Similarly, Independent Distributors shall not require or encourage other current or prospective Independent Distributors to make any purchase from, or payment to, any individual or other entity to participate in the LifeVantage Compensation Plan other than those purchases or payments identified as recommended or required in official LifeVantage literature.

#### 4.2 – Business Entities

A corporation, limited liability company, partnership or trust (collectively referred to in this section as a “Business Entity”) may apply to be a LifeVantage Independent Distributor by submitting a copy of its organizational documents to LifeVantage, along with a properly completed registration form. If an Independent Distributor enrolls online, all required documents and registration form must be submitted to LifeVantage within 30 days of the online enrollment. (If not received within the 30-day period, the Independent Distributor Agreement shall automatically terminate.) A LifeVantage business may change its status under the same enroller from an individual to a partnership, corporation or trust or from one type of entity to another by requesting a Name Change Request Form from the LifeVantage Compliance Department. The Registration form must be signed by all of the shareholders, partners, trustees, members or owners. Members of the entity are jointly and severally liable for any indebtedness or other obligation to LifeVantage. An individual may have a second and third position only as they are earned as “multiple business centers” as described in the LifeVantage Compensation Plan.

#### 4.3 – Minors

A person who is recognized as a minor in his/her state of residence may not be a LifeVantage Independent Distributor. Independent Distributors shall not enroll or recruit minors into the LifeVantage program. Minors who are at least sixteen years old may enroll as a LifeVantage Independent Distributor if the parent or guardian of the minor also enrolls as the minor’s co-applicant.

#### 4.4 – One LifeVantage Business per Independent Distributor and Two per Household

Except as provided in this Section 4.4, an Independent Distributor may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, member, owner, or beneficiary, in only one LifeVantage business. Individuals of the same family unit may not enter into or have an interest in more than two LifeVantage businesses. A “family unit” is defined as spouses and dependent children living at or doing business at the same address. In order to maintain the integrity of the LifeVantage Compensation Plan, husbands and wives or common-law couples (collectively “spouses”) who wish to become separate LifeVantage Independent Distributors must sign a separate Independent Distributor Application and Agreement, and must have the same Enroller. A spouse may be placed under their spouse or spouse’s corporation as long as they have the same enroller. An individual may have a second and third position only as they are earned as “multiple business centers” as described in the LifeVantage Compensation Plan.

##### 4.4.1 – Actions of Household Members or Affiliated Individuals

If any member of an Independent Distributor’s immediate household engages in any activity which, if performed by the Independent Distributor, would violate any provision of the Agreement, such activity will be deemed a violation by the Independent Distributor and LifeVantage may take disciplinary action pursuant to the Policies and Procedures against the Independent Distributor. Similarly, if any individual associated in any way with a corporation, partnership, limited liability company, trust or other entity (collectively “affiliated individual”) violates the Agreement, such action(s) will be deemed a violation by the entity, and LifeVantage may take disciplinary action against the entity.

#### 4.5 – Independent Contractor Status

Independent Distributors are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between LifeVantage and its Independent Distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Independent Distributor. LifeVantage may, at its discretion, require notarized documents before implementing any changes to a LifeVantage business. Please allow thirty (30) days after the receipt of the request by LifeVantage for processing. LifeVantage may, at its discretion, require notarized documents before implementing any changes to a LifeVantage business. Please allow thirty (30) days after the receipt of the request by LifeVantage for processing.

#### 4.6 – Enrolling/Placing

All active Independent Distributors in good standing have the right to place (sponsor) and enroll others into LifeVantage. Each prospective Direct Retail Customer, Preferred Customer, or Independent Distributor has the ultimate right to choose his or her own Enroller and Placement. If two Independent Distributors claim to be the Enroller and/or Sponsor (immediate upline) of the same new Independent Distributor, Preferred Customer or Direct Retail Customer, the Company shall presume that the first application received by the Company as controlling.

## 4.7 – Changes to a LifeVantage Business

### 4.7.1 – General

Each Independent Distributor must immediately notify LifeVantage of all changes to the information contained on his or her Independent Distributor Application and Agreement. Independent Distributors may modify their existing Independent Distributor Agreement (i.e., change Social Security number to Federal I.D. number, or change the form of ownership from an individual proprietorship to a business entity owned by the Independent Distributor) by submitting a written request for a Name Change Request Form, a properly executed Independent Distributor Application and Agreement, and appropriate supporting documentation.

### 4.7.2 – Addition of Co-Applicants

When adding a co-applicant (either an individual or a business entity) to an existing LifeVantage business, the Company requires a written request as well as a properly completed Independent Distributor Application and Agreement containing the applicant and co-applicant's Social Security Numbers and signatures. To prevent the circumvention of Section 4.9 (regarding transfers and assignments of a LifeVantage business), the original applicant must remain as a party to the original Independent Distributor Application and Agreement. If the original Independent Distributor wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with Section 4.9. If this process is not followed, the business may be canceled by LifeVantage upon the withdrawal of the original Independent Distributor. All bonus and commission checks will be sent to the address of record of the original Independent Distributor. Please note that the modifications permitted within the scope of this paragraph do not include a change of enroller/placement. Changes of enroller/placement are addressed in Section 4.7.3, below. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Independent Distributor Application and Agreement.

### 4.7.3 – Change of Enroller/Placement and Transfers

To protect the integrity of all marketing organizations and safeguard the hard work of all Independent Distributors, LifeVantage strongly discourages changes in placement. Maintaining the integrity of placement is critical for the success of every Independent Distributor and marketing organization. Accordingly, the transfer of a LifeVantage business from one Enroller to another is rarely permitted. Requests for a change must be submitted by contacting the Customer Services Department, and must include the reason for the change. If the change is approved only one change will be allowed per placement and Enroller. Transfers will only be considered in the following two (2) circumstances:

4.7.3.1 – In cases involving fraudulent inducement or unethical sponsoring, an Independent Distributor may request that he or she be transferred to another organization with his or her entire marketing organization intact. All requests for transfer alleging fraudulent enrollment practices shall be evaluated on a case by case basis.

4.7.3.2 – The Independent Distributor seeking to transfer submits a properly completed and fully executed Enroller Change Request Form which includes the written approval of his or her Enroller and immediate 5 upline Independent Distributors. Photocopied or facsimile signatures are not acceptable. The Independent Distributor who requests the transfer must submit a fee of \$25.00 for administrative charges and data processing. If the transferring Independent Distributor also wants to move any of the Independent Distributors in his or her marketing organization, each downline Independent Distributor must obtain a properly completed Enroller Change Request Form and return it to LifeVantage with the \$25.00 change fee (i.e., the transferring Independent Distributor and each Independent Distributor in his or her marketing organization multiplied by \$25.00 is the cost to move a LifeVantage organization.) Downline Independent Distributors will not be moved with the transferring Independent Distributor unless all of the requirements of this paragraph are met. Transferring Independent Distributors must allow thirty (30) days after the receipt of the Enroller Change Request Form by LifeVantage for processing and verifying change requests.

4.7.3.3 – New enrollees that have not been placed under a particular Sponsor at the time of enrollment will, by default, be placed front line to their enroller. If a placement sponsor has not been selected by the end of the first 30 days of enrollment, then their enroller becomes their placement Sponsor and changes thereafter must be made in accordance to Section 4.7.3 “Change of Enroller, Placement and Transfers.”

### 4.7.4 – Cancellation and Re-application

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

#### 4.8 – Roll-up of Marketing Organization

When a vacancy occurs in a Marketing Organization due to the termination of a LifeVantage business, each Independent Distributor in the first level immediately below the terminated Independent Distributor on the date of the cancellation will be moved to the first level (“front line”) of the terminated Independent Distributor’s placement sponsor (compresses up 1 level within the placement tree).

#### 4.9 – Sale, Transfer or Assignment of a LifeVantage Business

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

4.9.1 – If the buyer is an active LifeVantage Independent Distributor, he or she must first terminate his or her LifeVantage business simultaneously with the purchase, transfer, assignment or acquisition of any interest in the new LifeVantage business

4.9.2 – The transaction must be approved by LifeVantage.

4.9.3 – The selling Independent Distributor must be in good standing and not in violation of any of the terms of the Agreement in order to be eligible to sell, transfer or assign a LifeVantage business.

4.9.4 – Prior to selling a LifeVantage business, the selling Independent Distributor must notify LifeVantage, in writing, of his or her intent to sell the LifeVantage business. No changes in line of enrollment can result from the sale or transfer of a LifeVantage business.

4.9.5 – The selling Independent Distributor must wait a period of six months from the date of the sale, transfer or assignment of their LifeVantage business before he or she will be eligible to again enroll as a LifeVantage Independent Distributor.

#### 4.10 – Separation of a LifeVantage Business

LifeVantage Independent Distributors sometimes operate their LifeVantage businesses as husband-wife partnerships, regular partnerships, corporations, limited liability companies, or trusts. At such time as a marriage ends, or a Business entity dissolves, arrangements must be made to assure that any separation or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other Independent Distributors and the Company, LifeVantage will involuntarily terminate the Independent Distributor Agreement and roll-up their entire organization pursuant to Section 4.8.

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

If a former spouse or a former entity affiliate has completely relinquished all rights in their original LifeVantage business, they are thereafter free to enroll under any Enroller of their choosing, so long as they meet the waiting period requirements set forth in Section 4.7.4. In such case, however, the former spouse or partner shall have no rights to any Independent Distributors in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new Independent Distributor.

#### 4.11 – Succession

Upon the death or incapacitation of an Independent Distributor, his or her business may be passed to his or her heirs. Appropriate legal documentation must be submitted to the Company to ensure the transfer is proper. Accordingly, an Independent Distributor should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a LifeVantage business is transferred by a will or other testamentary process, the legal successor in interest acquires the right to collect all (financial distributions (as defined in Section 12) of the deceased Independent Distributor’s marketing organization provided the following qualifications are met. The successor(s) must:

4.11.1 – Execute an Independent Distributor Agreement;

4.11.2 – Comply with terms and provisions of the Agreement; and

4.11.3 – Meet all of the qualifications for the deceased Independent Distributor’s status.

4.11.4 – Bonus and commission checks of a LifeVantage business transferred pursuant to this section will be paid in a single check jointly to the legal successor(s) in interest. Such successor(s) must provide LifeVantage with an “address of record” to which all bonus and commission checks will be sent.

4.11.5 – If the business is bequeathed to multiple legal successors in interest, they must form a business entity and acquire a federal taxpayer identification number. LifeVantage will issue all bonus and commission checks and Form 1099 to the business entity.

4.12 – Transfer upon Death of an Independent Distributor

To effect a testamentary transfer of a LifeVantage business, the legally appointed representatives must complete a form (obtainable from the Company), wherein they attest his or her legal succession to the LifeVantage business and provide legal proof of such succession. The successor must also complete and execute an Independent Distributor Agreement.

4.13 – Transfer upon Incapacitation of an Independent Distributor

To effect a transfer of a LifeVantage business because of incapacity, a legally appointed representative must provide the following to LifeVantage: (1) a notarized copy of an appointment as trustee or other legally appointed representative; (2) a notarized copy of the trust document or other documentation establishing the trustee’s right to administer the LifeVantage business; and (3) a completed Independent Distributor Agreement executed by the trustee.

4.14 – Errors or Questions

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

## **SECTION 5 – RESPONSIBILITIES OF INDEPENDENT DISTRIBUTORS**

5.1 – Change of Address or Telephone

To ensure timely delivery of products, support materials, and commission checks, it is critically important that LifeVantage’s files are current. Street addresses are required for shipping since UPS cannot deliver to a post office box. Independent Distributors planning to move should send any change of address or telephone number to LifeVantage’s Corporate Offices – Attention: Customer Service Department. If an Independent Distributor is presently on the Autoship program, the Autoship will automatically be updated to the new address. If more than one change of address notice or Autoship Agreement has been submitted to LifeVantage, the most recent one will supersede previous notices or Agreements. Please allow thirty (30) days after the receipt of the notice or Agreement by LifeVantage for processing.

5.2 – Continuing Development Obligations

5.2.1 – Ongoing Training

The Independent Distributor who enrolls a new Independent Distributor (the “enroller”) must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her LifeVantage business. Independent Distributors must have ongoing contact and communication with the Independent Distributors in their Downline Organizations. Examples of such contact and communication may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Independent Distributors to LifeVantage meetings, training sessions, and other functions. Upline Independent Distributors (the “sponsors”) are also responsible to motivate and train new Independent Distributors in LifeVantage product knowledge, effective sales techniques, the LifeVantage Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Independent Distributors must not, however, violate Section 8.1 (regarding the development of Independent Distributor-produced sales aids and promotional materials). Independent Distributors must monitor the Independent Distributors in their Downline Organizations to ensure that downline Independent Distributors do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request by LifeVantage, every Independent Distributor should be able to provide documented evidence to LifeVantage of his or her ongoing fulfillment of the responsibilities of an Enroller.

### 5.2.2 - Increased Training Responsibilities

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

### 5.2.3 - Ongoing Sales Responsibilities

Regardless of their level of achievement, Independent Distributors have an ongoing obligation to continue to personally promote sales through the generation of new customers, through servicing their existing customers and through sales to retail customers who are not Independent Distributors.

### 5.3 - Non-disparagement

LifeVantage wants to provide its independent Distributors with the best products, Compensation plan and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to the Customer Services Department. Independent Distributors should not disparage, demean, or make negative remarks about LifeVantage, other LifeVantage Independent Distributors, LifeVantage's products, the Compensation Plan, or LifeVantage's directors, officers, or employees.

### 5.4 - Providing Documentation to Applicants

An Enroller must provide the most current version of the Policies and Procedures and the Compensation Plan to the individual(s) whom he or she is enrolling to become an Independent Distributor before the applicant signs an Independent Distributor Agreement. Additional copies of Policies and Procedures can be acquired from LifeVantage or found on the LifeVantage website.

### 5.5 - Reporting Policy Violations

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

### 5.6 - Company Claims

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

## **SECTION 6 - CONFLICTS OF INTEREST**

Independent Distributors may participate in other direct selling or network marketing or multilevel marketing ventures (collectively "network marketing ventures"), and Independent Distributors may engage in selling activities related to non-LifeVantage products and services if they desire to do so. If an Independent Distributor elects to participate in another network marketing venture, in order to avoid conflicts of interest and loyalties, Independent Distributors must adhere to the following:

### 6.1 - Non-solicitation

During the term of this Agreement, an Independent Distributor shall not engage in any actual or attempted recruitment or enrollment of LifeVantage Independent Distributors for other network marketing business ventures, either directly or through a third party. This includes, but is not limited to, presenting or assisting in the presentation of another network marketing venture to any LifeVantage Independent Distributor, or implicitly or explicitly encouraging any LifeVantage Independent Distributor to join other network marketing business ventures.

6.1.1 - For a period of six months following the cancellation of an Independent Distributor's Agreement, the former Independent Distributor is prohibited from recruiting any LifeVantage Independent Distributor, Preferred Customer or Direct Retail Customer for another network marketing venture.

6.1.2 - During the term of the Agreement, an Independent Distributor may not:

- a) Produce, offer or transfer any literature, tapes, CDs, DVDs or other promotional material of any nature for another network marketing venture which is used by the Independent Distributor or any third person to recruit LifeVantage Independent Distributors, Preferred Customers or Direct Retail Customers for that network marketing venture;
- b) Sell, offer to sell, or promote any competing non-LifeVantage products or services to LifeVantage Independent Distributors, Preferred Customers or Direct Retail Customers (any product in the same generic product category as a LifeVantage product is deemed to be competing; e.g.; any nutritional supplement is in the same generic category as LifeVantage's nutritional supplements, and is therefore a competing product, regardless of differences in cost, quality, ingredients or nutrient content);
- c) Offer LifeVantage products or promote the LifeVantage Compensation Plan in conjunction with any non-LifeVantage products, services, business plan, opportunity, or incentive; or d) Offer any non-LifeVantage products, services, business plan, opportunity, or incentive at any LifeVantage meeting, seminar, launch, convention, or other LifeVantage function, or immediately following such event.

#### 6.2 - Targeting Other Direct Sellers

LifeVantage does not encourage Independent Distributors to target the sales force of another direct sales company to sell LifeVantage products or to become Independent Distributors for LifeVantage, nor does LifeVantage encourage Independent Distributors to solicit or entice members of the sales force of another direct sales company to violate the terms of their contract with such other company.

#### 6.3 - Cross-Sponsoring

Actual or attempted cross sponsoring is strictly prohibited. "Cross sponsoring" is defined as the enrollment of an individual or entity which already has a current Customer or Independent Distributor Agreement on file with LifeVantage, or which has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited.

Independent Distributors shall not demean, discredit or defame other LifeVantage Independent Distributors in an attempt to entice another Independent Distributor to become part of the first Independent Distributor's marketing organization. This policy shall not prohibit the transfer of a LifeVantage business in accordance with Section 4.9.

If Cross Sponsoring is discovered, it must be brought to the Company's attention immediately. LifeVantage may take action against the Independent Distributor who changed organizations and/or those Independent Distributors who encouraged or participated in the Cross Sponsoring. LifeVantage may also move all or part of the offending Independent Distributor's downline to his or her original downline organization if the Company deems it equitable and feasible to do so. However, LifeVantage is under no obligation to move the Cross-Sponsored Independent Distributor's downline organization, and the ultimate disposition of the organization remains within the sole discretion of LifeVantage. Independent Distributors waive all claims and causes of action against LifeVantage arising from or relating to the disposition of the Cross-Sponsored Independent Distributor's downline organization.

#### 6.4 - Holding Applications or Orders

Independent Distributors must not manipulate enrollments of new applicants and purchases of products. All Independent Distributor Applications and Agreements, and product orders must be sent to LifeVantage within 48 hours from the time they are signed by an Independent Distributor or placed by a customer, respectively.

#### 6.5 - Stacking

"Stacking" is strictly prohibited. The term "stacking" includes: (a) the failure to transmit to LifeVantage or the holding of an Independent Distributor Application and Agreement in excess of two business days after its execution; (b) violating the two businesses per household rule; and/or (c) enrolling fictitious individuals or entities into the LifeVantage Compensation Plan.

### **SECTION 7 - COMMUNICATION AND CONFIDENTIALITY WITHIN A LIFEVANTAGE BUSINESS**

#### 7.1 - Downline Activity (Genealogy Reports)

Downline Activity Reports are available for Independent Distributor access and viewing at LifeVantage's official web site. Independent Distributor access to their Downline Activity Reports is password protected. All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets and are owned exclusively by LifeVantage. Downline Activity Reports are provided to Independent Distributors in strictest confidence and are made available to Independent Distributors for the sole purpose of assisting Independent Distributors in working with their respective Downline Organizations in the development of their LifeVantage business. Independent

Distributors should use their Downline Activity Reports to assist, motivate, and train their downline Independent Distributors. The Independent Distributor and LifeVantage agree that, but for this agreement of confidentiality and nondisclosure, LifeVantage would not provide Downline Activity Reports to the Independent Distributor. An Independent Distributor shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

7.1.1 – Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;

7.1.2 – Directly or indirectly disclose the password or other access code to his or her Downline Activity Report;

7.1.3 – Use the information to compete with LifeVantage or for any purpose other than promoting his or her LifeVantage business;

7.1.4 – Recruit or solicit any Independent Distributor, Preferred Customer or Direct Retail Customer of LifeVantage listed on any report, or in any manner attempt to influence or induce any Independent Distributor, Preferred Customer or Direct Retail Customer, to alter their business relationship with LifeVantage; or

7.1.5 – Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Downline Activity Report. Upon demand by the Company, any current or former Independent Distributor will return the original and all copies of Downline Activity Reports to the Company.

## 7.2 – Web Access Protection

LifeVantage will allow an Independent Distributor to create or purchase third party websites to enhance their business. An Independent Distributor may use such a website provided the website is in strict compliance with

Section 8.3 below. LifeVantage has a policy of not giving any of these third party companies or websites direct access to the information that we collect during the enrollment process or anytime that an Independent Distributor is registered as an Independent Distributor with LifeVantage.

7.2.1 – It is a violation of these Policies and Procedures for an Independent Distributor or a third party to access this data via reverse engineering, keystroke monitoring, or by any other means.

## 7.3 – Communication Opt-in

Independent Distributor agrees that LifeVantage may send to Independent Distributor unsolicited LifeVantage messages, whether in the form of e-mails, faxes or telephone calls or some other format, whether recorded or in-person, at any time provided that the message is connected with the business of LifeVantage.

7.3.1 – Independent Distributor, also, understands and agrees that Independent Distributor is prohibited, except with the prior advance approval of the CEO of LifeVantage, from sending or otherwise transmitting an unsolicited message or messages of any kind to any other LifeVantage Independent Distributor except (i) to those Independent Distributors who are in the first level immediately above and below the Independent Distributor who is sending the unsolicited message and (ii) to those Independent Distributors as to whom the Independent Distributor who is sending the message is the enroller. An Independent Distributor will be able to contact their upline for help but in order for an Independent Distributor to contact their downline, their downline will have to opt-in to receive information. An exception to this policy would be contacting their immediate enroller and Corporate.

## SECTION 8 – ADVERTISING

### 8.1 – General

All Independent Distributors shall safeguard and promote the good reputation of LifeVantage and its products. The marketing and promotion of LifeVantage, the LifeVantage opportunity, the Compensation Plan, and LifeVantage products shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. To promote both the products and the tremendous opportunity LifeVantage offers, Independent Distributors are encouraged to use the sales aids and support materials produced by LifeVantage. The Company has carefully designed its products, product labels, Compensation Plan, and promotional materials to ensure that the presentation of each aspect of LifeVantage is fair, truthful, substantiated, and complies with the vast and complex legal requirements of federal and state laws.

In the event that an Independent Distributor produces supplemental marketing material of any kind, including but not limited to, advertisements of any media type, flyers, brochures, CDs, audio recordings, posters, or banners, LifeVantage requires that it be submitted to the Company's Compliance Department for approval before it can be used or made public. All proposed materials may be mailed to LifeVantage Compliance Department, 10813 South River Front Parkway, Suite 500, South Jordan, UT 84095, faxed to (801) 206-3811, or emailed to [compliance@lifevantage.com](mailto:compliance@lifevantage.com). Unless the Independent Distributor receives specific written approval to use such materials the request shall be deemed denied. Also, LifeVantage reserves the right, at its discretion, to edit or discontinue previously approved Independent Distributor materials.

LifeVantage further reserves the right to rescind approval for any sales tools, promotional materials, advertisements, or other literature, and Independent Distributors waive all claims for damages or remuneration arising from or relating to such rescission.

An Independent Distributor may not make any claims stating that documents or materials that they have written or produced have been given approval from the LifeVantage Compliance Department or that they are "compliance approved" even if they have received approval through the Compliance department for their marketing materials. As these compliance policies are vital to the long-term stability of LifeVantage and the preservation of the opportunity for all, violations of these policies will be strictly enforced. Failure to obtain approval for supplemental marketing materials of any kind and/or failure to implement the policies in any material may result in any of the actions set forth in Section 14.1 including, without limitation, the following:

1. Formal warning letter and/or probation
2. Suspension of commissions
3. Termination of the Independent Distributor Agreement
4. Possible litigation

## 8.2 - Interaction with Scientific Advisory Board and other Company Consultants

LifeVantage is uniquely positioned in the marketplace by its special relationship with many preeminent scientific, marketing, PR and business professionals. In the interest of preserving these relationships for the benefit of all Independent Distributors and the Company, Independent Distributors must: (i) adhere strictly to the Company's advertising policies; and (ii) refrain from any contact with any associate or employee of the Company's Board of Directors, Scientific Advisory Board or other consultant to or advisor of the Company, without the express written consent of the Company.

## 8.3 - Independent Distributor Web Sites

If an Independent Distributor desires to utilize an Internet web page to promote his or her business, he or she may do so through the Company's replicated web-site program, using official LifeVantage templates. This program permits Independent Distributors to advertise on the Internet and to choose from among a variety of home page designs that can be personalized with the Independent Distributor's message and the Independent Distributor's contact information. These web sites seamlessly link directly to the official LifeVantage web site giving the Independent Distributor a professional and Company-approved presence on the Internet. No Independent Distributor may independently design a web site that uses the name, logos, or product descriptions of LifeVantage or otherwise promotes (directly or indirectly) LifeVantage products or the LifeVantage opportunity, without the express written consent of LifeVantage. An Independent Distributor shall not use "blind" ads on the internet that make product or income claims which are ultimately associated with LifeVantage products, the LifeVantage opportunity, or the LifeVantage Compensation Plan.

If Independent Distributors receive LifeVantage's consent to develop their own web pages, they shall agree to: (A) Use the text of the Company's official web site; and (B) Not supplement the content of his or her web site with text from any source other than the Company. Independent Distributors who develop or publish their own web sites must register their site(s) with the Company and receive written approval from the Company prior to the site(s) public availability.

All other content must receive written approval from the Company prior to a site(s) public availability. For additional guidelines please use the following list of requirements which is designed to guide you in properly creating your LifeVantage marketing material. Any advertising or promotional material must contain this exact verbiage:

"LifeVantage® Independent Distributor."

"LifeVantage® and Protandim® are registered trademarks of LifeVantage."

(Trademarked terms must be marked with the appropriate "®" or "™" symbol each time they appear in the heading.)

## 8.4 - Domain Names and Email Addresses

Independent Distributors may not use or attempt to register "LifeVantage", "Protandim", "McCord", or "Dr. McCord" or any other product or individual name connected with the Company for use in any internet domain name. Independent Distributors may not incorporate or attempt to incorporate such names, or any derivative thereof, into any electronic mail address. In addition, Independent Distributors may not incorporate such terms, or any derivative of any of the foregoing into any domain name, email addresses, user name, team names, telephone numbers or any other address or title. Additionally: Independent Distributors must comply with the terms and conditions set forth by each search engine or online advertising

network. An Independent Distributor may purchase keywords for business purposes only, not personal, household or family purposes. Costs associated with search engine or online advertising are the sole responsibility of the Independent Distributor. An Independent Distributor must own the Internet property that they are advertising and cannot redirect to a website or other internet property they do not own. At LifeVantage's request, the Independent Distributor must demonstrate that they do own the internet property or website advertised.

Independent Distributors must obtain approval from the LifeVantage Compliance Department before submitting or publishing sponsored links on search engines, Internet properties or online advertising networks. Purchasing such keywords "McCord", "Dr. McCord" or other prohibited terms or referencing them in the copy is prohibited.

#### 8.5 - Social Networking

LifeVantage Independent Distributors are permitted to use Social Networking sites including, without limitation, Facebook, Twitter, or MySpace for the promotion of their LifeVantage businesses. However, while promoting the LifeVantage Opportunity using these types of Social Networking sites, Independent Distributors must abide by the following guidelines: 1- Independent Distributors must register their Social Networking accounts with the Compliance Department. 2- Independent Distributors must add LifeVantage as a friend, or in other ways necessary, allow access to their Social Networking accounts so that, at the Company's discretion, LifeVantage can review site content to assure compliance.

#### 8.6 - Use of Celebrity Names

No names of celebrities may be published by Independent Distributors in association with LifeVantage without prior written approval of LifeVantage.

#### 8.7 - Trademarks and Copyrights

No Independent Distributor shall use LifeVantage's trade names, trademarks, designs, or symbols by any person, without its prior, written permission. Independent Distributors may not produce for sale or distribution any recorded Company events and speeches without written permission from LifeVantage nor may Independent Distributors reproduce for sale or for personal use any recording of Company produced audio or video tape presentations.

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

Independent Distributor's Name

LifeVantage® Independent Distributor

All Independent Distributors may list themselves as a "LifeVantage Independent Distributor" in the white or yellow pages of the telephone directory under their own name. No Independent Distributor may place telephone directory display ads using LifeVantage's name or logo. Independent Distributors may not answer the telephone by saying "LifeVantage", "LifeVantage Incorporated", or in any other manner that would lead the caller to believe that he or she has reached corporate offices of LifeVantage. Similarly, Independent Distributors are prohibited from using the names of persons or companies, trademarks, designs, or symbols to further their LifeVantage business without the written consent of the owner.

#### 8.8 - Media and Media Inquiries

Independent Distributors must not attempt to respond to media inquiries regarding LifeVantage, its products, or their independent LifeVantage business. All inquiries from any type of media must be immediately referred to the Company. This policy is designed to assure that accurate and consistent information is provided to the public as well as a proper public image.

#### 8.9 - Spamming and Unsolicited Faxes

Except as provided in this section, Independent Distributors may not use or transmit unsolicited faxes, mass e-mail distribution, unsolicited e-mail, or "spamming" relative to the operation of their LifeVantage businesses. The terms "unsolicited faxes" and "unsolicited e-mail" mean the transmission via telephone, facsimile or electronic mail, respectively, of any material or information advertising or promoting LifeVantage, its products, its Compensation Plan or any other aspect of the Company which is transmitted to any person, except that these terms do not include a fax or e-mail: (a) to any person with that person's prior express invitation or permission; or (b) to any person with whom the Independent Distributor has an established business or personal relationship. The term "established business or personal relationship" means a prior or existing relationship formed by a voluntary two way communication between an Independent Distributor and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding products offered by such Independent Distributor; or (b) a personal or familial relationship, which relationship has not been previously terminated by either party.

#### 8.10 - Telemarketing

The Federal Trade Commission and the Federal Communications Commission each have regulations that restrict telemarketing practices. Both federal agencies (as well as a number of states) have “do not call” regulations as part of their telemarketing laws. Although LifeVantage does not consider Independent Distributors to be “telemarketers” in the traditional sense of the word, these government regulations broadly define the term “telemarketer” and “telemarketing” so that your inadvertent action of calling someone whose telephone number is listed on the federal “do not call” registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties (up to \$11,000 per violation).

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

## 8.11 - Unauthorized Claims and Actions

### 8.11.1 - Indemnification

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

### 8.11.2 - Product Claims

No claims, which include personal testimonials, as to therapeutic, curative or beneficial properties of any products offered by LifeVantage may be made except those contained in official LifeVantage materials. In particular, no Independent Distributor may make any claim that LifeVantage products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases or signs or symptoms of disease. Not only are such claims violations of LifeVantage policies, but they potentially violate federal and state laws and regulations, including the Federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act.

An Independent Distributor that provides a product experience testimonial in any medium should use care to disclose their affiliation with LifeVantage (“LifeVantage Independent Distributor”), be honest in their testimonial personal experience, and assert that they are not claiming that their experience is the typical result experienced by consumers.

### 8.11.3 - Income Claims

In their enthusiasm to enroll prospective Independent Distributors, some Independent Distributors are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new Independent Distributors may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At LifeVantage, we firmly believe that the LifeVantage income potential is great enough to be highly attractive, without reporting the earnings of others. Moreover, the Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Independent Distributors may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact LifeVantage as well as the Independent Distributor making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because LifeVantage Independent Distributors do not have the data necessary to comply with the legal requirements for making income claims, an Independent Distributor, when presenting or discussing the LifeVantage opportunity or Compensation Plan to a prospective Independent Distributor, may not make income projections, income claims, or disclose his or her LifeVantage income (including the showing of checks, copies of checks, bank statements, or tax records). Hypothetical income examples that are used to explain the operation of the Compensation Plan, and which are based solely on mathematical projections, may be made to prospective Independent Distributors, so long as the Independent Distributor who uses such hypothetical examples makes clear to the prospective Independent Distributor(s) that such earnings are hypothetical and the Independent Distributor provides the prospect with a copy of the most current income disclosure chart prepared by the Company. Until such time as LifeVantage publishes an official income disclosure statement, Independent Distributors may not use hypothetical income examples in the promotion of their LifeVantage businesses.

## 8.12 – Governmental Approval or Endorsement

Neither federal nor state regulatory agencies nor officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Independent Distributors shall not represent or imply that LifeVantage or its Compensation Plan has been “approved,” “endorsed” or otherwise sanctioned by any government agency.

## SECTION 9 – RULES AND REGULATIONS

### 9.1 – Identification

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

### 9.2 – Income Taxes

Each Independent Distributor is responsible for paying local, state, and federal taxes on any income generated as an Independent Distributor. If a LifeVantage business is tax exempt, the Federal tax identification number must be provided to LifeVantage. Every year, LifeVantage will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. distributor who: 1) had earnings of over \$600 in the previous calendar year; or 2) made purchases during the previous calendar year in excess of \$5,000.

### 9.3 – Insurance

#### 9.3.1 – Business Pursuits Coverage

You may wish to arrange insurance coverage for your business. Your homeowner’s insurance policy does not cover business-related injuries or the theft of or damage to inventory or business equipment. Contact your insurance agent to make certain that your business property is protected. This can often be accomplished with a simple “Business Pursuit” endorsement attached to your present home owner’s policy.

#### 9.3.2 – Product Liability Coverage

LifeVantage maintains insurance to protect the Company and Independent Distributors against some product liability claims. LifeVantage’s insurance policy contains a “Vendors Endorsement” which extends coverage to Independent Distributors so long as they are marketing LifeVantage products in accordance with Company Policies and applicable laws and regulations. LifeVantage’s product liability policy may not extend coverage to claims or actions that arise as a result of an Independent Distributor’s misconduct in marketing the products.

### 9.4 – International Marketing

Independent Distributors are authorized to sell LifeVantage products, and enroll Direct Retail Customers, Preferred Customers, or Independent Distributors only in countries in which LifeVantage is authorized to conduct business, as announced in official Company materials and as listed below in Section 9.4.2. However, before initiating business activities in any authorized country an Independent Distributor must first complete and submit the LifeVantage International Sponsoring Application to the Customer Service Department. Once such Application has been received and accepted, as evidenced by written authorization by a member of the International Development Team, the submitting Independent Distributor may begin doing business in any authorized country in accordance with the applicable terms and conditions of that country. Allowed conduct and activity in unauthorized and/or NFR markets is described in 9.4.1 below.

#### 9.4.1 – International Marketing Definitions

Un-Authorized markets (Pre-Market) – Prior to the official opening of a country, permissible Distributor activity is limited to providing business cards and conducting, organizing, or participating in meetings with no more than five (5) attendees, including the Distributor. Other attendees must be personal acquaintances or acquaintances of personal acquaintances. These meetings must be held in a home or a public establishment but may not be held in a private hotel room. All cold-calling techniques (soliciting persons who are not prior personal acquaintances of the contacting Distributor) are strictly prohibited in unopened countries. Not For Resale (“NFR”) – Countries where residences of the country are allowed to import products for personal use only on a “not-for-resale” basis, but where the re-selling of those products is prohibited.

#### 9.4.2 - Authorized Countries

Currently the only authorized international markets are: United States (Full Business), Mexico, (Full Business), and Japan, (NFR Only).

#### 9.5 - Adherence to Laws and Ordinances

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

9.5.2 - Compliance with Federal, State, Local Laws - Independent Distributors shall comply with all federal, state, and local laws and regulations in the conduct of their businesses.

### SECTION 10 - SALES

#### 10.1 - Commercial Outlets

LifeVantage strongly encourages the retailing and selling of its products through person to person contact. In an effort to reinforce this method of marketing and to help provide a standard of fairness for its Independent Distributor base, Independent Distributors may not display or sell LifeVantage products or literature in any retail establishment. Independent Distributors may, however, sell LifeVantage products from service establishments which see customers/clients on an appointment basis only. LifeVantage will permit Independent Distributors to solicit and make commercial sales upon prior written approval from the Company. The term "commercial sale" means the sale of products to a third party who intends to resell the products to an end consumer.

#### 10.2 - Trade Shows, Expositions and Other Sales Forums

Independent Distributors may display and/or sell LifeVantage products, at their own expense, at trade shows and professional expositions as long as there are no other Independent Distributors with a display or selling product at the event. LifeVantage expects its Independent Distributors to present and conduct themselves professionally in all forums of business.

#### 10.3 - Discount or Auction Web Sites

"The use of any third party discount or auction Internet website or web page (including without limitation auction sites such as eBay) to in any way promote the sale of LifeVantage products, the LifeVantage Opportunity, or the Compensation Plan is a breach of the Agreement."

#### 10.4 - Excess Inventory Purchases Prohibited

Independent Distributors are not required to carry inventory of products or sales aids. Independent Distributors who do so may find making retail sales and building a marketing organization somewhat easier because of the decreased response time in fulfilling customer orders or in meeting a new Independent Distributor's needs. Each Independent Distributor must make his or her own decision with regard to these matters. To ensure that Independent Distributors are not encumbered with excess inventory that they are unable to sell, such inventory may be returned to LifeVantage upon the Independent Distributor's cancellation pursuant to the terms of Section 13.

LifeVantage strictly prohibits the purchase of products in unreasonable amounts primarily for the purpose of qualifying for commissions, bonuses or advancement in the Compensation Plan. Independent Distributors may not purchase more inventory than they can reasonably resell or consume in a month nor may they encourage others to do so.

#### 10.5 - Bonus Buying Prohibited

Bonus buying is strictly and absolutely prohibited. "Bonus buying" includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Independent Distributor Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as an Independent Distributor, Preferred Customer, or Direct Retail Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Independent Distributors, Preferred Customer, or Direct Retail Customers ("phantoms"); (d) the use of a credit card by or on behalf of an Independent Distributor, Preferred Customer, or Direct Retail Customer when the Independent Distributor, Preferred Customer, or Direct Retail Customer is not the account holder of such credit card; (e) purchasing LifeVantage merchandise on behalf of another Independent Distributor or under another Independent Distributor's DIN to qualify for commissions or

bonuses.

#### 10.6 - Re-packaging and Re-labeling Prohibited

Independent Distributors may not re-package, re-label, refill or alter the labels on any LifeVantage products, information, materials or programs in any way. LifeVantage products must be sold in their original containers only. Such re-labeling or repackaging would violate federal and state laws, which could result in severe criminal penalties. You should also be aware that civil liability can arise when, as a consequence of the repackaging or re-labeling of products, the persons using the products suffer any type of injury or their property is damaged.

### SECTION 11 - SALES REQUIREMENTS

#### 11.1 - Product Sales

The LifeVantage Compensation Plan is based upon the sale of LifeVantage products to end consumers. Independent Distributors must fulfill personal and Downline Organization retail sales requirements (as well as meet other responsibilities set forth in the Agreement) to be eligible for bonuses, commissions and advancement to higher levels of achievement. The following sales requirements must be satisfied for Independent Distributors to be eligible for commissions:

11.1.1 - Independent Distributors must satisfy the Personal Sales Volume (PV) and Organizational Sales Volume (OV) requirements to fulfill the requirements associated with their rank as specified in the LifeVantage Compensation Plan. PV includes purchases made by the Independent Distributor and Direct Retail Customers, except that personally enrolled Preferred Customer volume will also be included in an Independent Distributor's PV for the purposes of rank advancement. All Independent Distributors are still required to have their personal monthly auto-ship order to fulfill monthly requirements as specified in the Compensation plan. OV shall include the total PV of all Independent Distributors in his or her marketing organization plus the Independent Distributor's PV.

#### 11.1.2 - Advertised Product Price

Independent Distributors may not advertise LifeVantage Products at a price LESS than the suggested minimum retail price of one (1) unit of the LifeVantage Product. Independent Distributors also agree that all advertising regarding the price of Products will be truthful and will not contain misleading statements (e.g. "lowest price available" which infers that a Distributor is able to sell the Products at a price lower than other Distributors, etc.). Any violation of this Section by an Independent Distributor shall constitute a breach of the Agreement and may result in any of the actions set forth in Section 14.

11.1.3 - The Independent Distributor must comply with the 70% Sales Rule as set forth in Section 11.3 below.

#### 11.2 - No Territory Restrictions

There are no exclusive territories granted to anyone. No franchise fees are required.

#### 11.3 - 70% Sales Rule

By placing a new Product order, an Independent Distributor is deemed to have certified that he or she has sold or consumed at least 70% of all Products purchased in prior orders. Each Independent Distributor that receives Commissions and orders additional Product agrees to retain documentation that demonstrates compliance with this policy, including evidence of Retail Sales, for a period of at least four (4) years. An Independent Distributor agrees to make this documentation available to the Company at the Company's request. Failure to comply with this requirement or falsely representing the amount of product sold or consumed in order to advance in the compensation plan constitute a breach of the Agreement and is grounds for termination. Furthermore, a breach of this requirement entitles the Company to recover any Commissions paid to the Independent Distributor for any period of time during which such documentation is not maintained or for which this provision has been breached.

#### 11.4 - Sales Receipts

All Independent Distributors must provide their retail customers with two copies of an official LifeVantage sales receipt at the time of the sale. These receipts set forth consumer protection rights afforded by federal or state law. Independent Distributors must maintain all retail sales receipts for a period of four years and furnish them to LifeVantage at the Company's request. Records documenting the purchases of Independent Distributors' Direct Retail Customers will be maintained by LifeVantage. Independent Distributors must ensure that the following information is contained on each sales receipt: (1) The date of the transaction; (2) The date (not earlier than the third business day following the date of the transaction) by which the buyer may give notice of cancellation; and (3) Name and address of the selling Independent Distributor. Remember

that customers must receive two copies of the sales receipt. In addition, Independent Distributors must verbally inform the buyer of his or her cancellation rights.

## **SECTION 12 - REBATES, BONUSES AND COMMISSIONS**

### **12.1 - Rebates, Bonuses and Commission Qualifications**

An Independent Distributor must be active and in compliance with the Agreement to qualify for rebates, bonuses and commissions ("financial distributions"). So long as an Independent Distributor complies with the terms of the Agreement, LifeVantage shall pay financial distributions to such Independent Distributor in accordance with the Compensation Plan. The minimum amount for which LifeVantage will issue a check is \$10.00. If an Independent Distributor's financial distributions do not equal or exceed \$13.00, the Company will accrue the financial distributions until they total \$13.00. A check will be issued after \$13.00 has been accrued.

12.1.1 - LifeVantage will charge a \$3.00 check processing fee for all mailed checks.

12.1.2 - If it becomes necessary for LifeVantage to reissue a bonus or commission check because it has been lost, LifeVantage will charge a \$15.00 fee for each replacement check provided.

### **12.2 - Adjustment to Rebates, Bonuses and Commissions**

Independent Distributors receive rebates for PV in excess of 200 PV and financial distributions based on the actual sales of products to end consumers. When a product is returned to LifeVantage for a refund, the financial distributions attributable to the returned product(s) will be deducted in the month in which the refund is given, and continuing every pay period thereafter until the commission is recovered, from the Independent Distributors who received the financial distributions on the sales or purchase of the refunded products.

12.2.1 - If an Independent Distributor chooses to cancel their LifeVantage business contract within the first 30 days of enrollment and also chooses to return the product that they have ordered, a refund will be issued for the full amount paid less any bonuses that were issued in accordance to Section 12.2 "Adjustment to Rebates, Bonuses and Commissions."

### **12.3 - Unclaimed Commissions and Credits**

Independent Distributors must deposit or cash rebate, commission and bonus checks within six months from their date of issuance. A check that remains uncashed after six months will be void. After a check has been voided, LifeVantage will attempt to notify an Independent Distributor who has an uncashed check by sending a monthly written notice to his or her last known address identifying the amount of the check and advising that the Independent Distributor can request that the check be reissued. There shall be a \$25.00 charge for reissuing a check. This charge shall be deducted from the balance owed to the Independent Distributor. Direct Retail Customers, Preferred Customers, and Independent Distributors who have a credit on account must use their credit within six months from the date on which the credit was issued. If credits have not been used within six months, LifeVantage shall attempt to notify the Independent Distributor, Preferred Customer, or Direct Retail Customer on a monthly basis, by sending written notice to the last known address, advising the Independent Distributor, Preferred Customer, or Direct Retail Customer of the credit. There shall be a \$10.00 charge for each attempted notification. This charge shall be deducted from the Independent Distributor's or Customer's credit on account.

### **12.4 - Incentive Trips & Rewards**

From time to time, the Company may provide incentive trips and other awards to qualified Independent Distributors. These awards or trips may be based on title and high Independent Distributor performance and are provided only to the persons listed on a qualifying Independent Distributor Agreement, up to air fare for two such Persons and hotel accommodations of one room. Incentive trips or awards may not be deferred for future acceptance and have no cash value. No payment or credit will be given to those who cannot or choose not to attend trips or to accept awards.

Although the Company may pay some or all of the costs of such incentive trips, the Independent Distributor agrees to indemnify and hold harmless the Company from any claim, injury, loss or other damage sustained in association with the trip by the Independent Distributor and/or its guests. The Independent Distributor cannot make claim upon, or rely upon, any insurance policy of the Company to cover the costs and expenses of any injury, loss or other damage to the Independent Distributor and/or the Independent Distributor's guests.

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

If it is discovered that the Independent Distributor has made any misrepresentations or has violated any of Policies and Procedures in becoming eligible for these incentives trips and awards, the Company may charge the Independent Distributor

for any costs incurred by the Company or for any benefits received by the Independent Distributor. The Company reserves the right at its sole and absolute discretion to disallow participation for any reason it deems necessary.

#### 12.5 - Reports

For the purposes of this paragraph 12.5, "LifeVantage", means the entity and all of its employees, officers, directors, independent contractors, Independent Distributors, and agents.

12.5.1 - Independent Distributor understands that LifeVantage regularly provides information to each of its Independent Distributors. This includes but is not limited to, reports of online or telephonic downline activity, such as personal and group sales volume, and downline sponsoring activity ("the Information").

12.5.2 - Independent Distributor agrees never to assert any claim of any nature against LifeVantage, including its officers, directors, employees and independent contractors, that arises out of or which is in any way connected with the presentation, compilation, development, publication and dissemination by LifeVantage of the Information, including but not limited to a claim for lost profits, bonuses, commissions, and loss of opportunity. This agreement on the part of each Independent Distributor extends to any act or omission to act by LifeVantage such as, but not limited to the inaccuracy, incompleteness, inconvenience, delay, or loss of the use of the Information. However, this Section 12.5.2 does not apply to claims that may arise as a result of intentional misconduct or reckless disregard of the rights of Independent Distributors on the part of LifeVantage.

### **SECTION 13 - PRODUCT GUARANTEE & INVENTORY RETURNS**

#### 13.1 - Product Guarantee

Product and marketing materials returned within 30 days after the purchase shall receive a 100% refund, less shipping costs. Only unconsumed product shall be eligible for a refund, unless defective. Starter Kits, Basic, Premium and Professional business packs must be in resalable and restockable condition in order to be eligible for a refund. Resalable is defined as Product still in its original packaging, with seals and wrapping in place. All returns must have a Return Merchandise Authorization, ("RMA"), issued through Customer Service. Independent Distributors are responsible for returning Product to the company within 10 business days of receipt of the RMA or the product will not be eligible for return.

#### 13.2 - Inventory Returns

An Independent Distributor who resigns, (which resignation must be in writing), may return product or marketing materials purchased within the last 12 months prior to resignation, subject to the 70% rule, (see Section 11.3, above), and subject to the same provisions set forth in Section 13.1, above, regarding resalability and RMA's. Upon compliance with all applicable requirements, a full refund, less a 10% restocking fee and shipping costs will be issued by the Company. Any product that is expired, or that is within 3 months of expiration, will not be eligible for a refund.

13.2.1 - If a shipment is refused by an Independent Distributor, whether it is an auto shipment or an order that has just been placed, the Independent Distributor will be charged a \$10.00 shipment refusal fee to the form of payment on file.

#### 13.3 - Exceptions to the Refund Policies

Previously paid Financial Distributions (as described in Section 12) may be reversed or adjusted as a result of the exceptions and at the sole discretion of the Company. Any Commissions paid to the Independent Distributor and his or her Upline for the Product returned by the Independent Distributor or Customer may be debited from the respective Upline Independent Distributor's account or withheld from present or future Commission payments. An Independent Distributor agrees that he or she will not rely on existing downline Volume at the close of a commission's period, as returns may cause changes to his or her Title, Rank and/or commissions payout.

#### 13.4 - Montana Residents

Montana residents may cancel their Independent Distributor Agreement within 15 days from the date of enrollment, and may return their Starter kit for a full refund within such time period.

### **SECTION 14 - DISPUTE RESOLUTION AND REMEDIES**

#### 14.1 - Remedies

Any breach of the Agreement, including these Policies and Procedures, or any illegal, fraudulent, deceptive or unethical

business conduct by an Independent Distributor may result, at LifeVantage's discretion, in one or more of the following actions:

14.1.1 - Issuance of a written warning or admonition;

14.1.2 - Issuance of a writing that directs the Independent Distributor to take immediate corrective measures;

14.1.3 - Loss of rights to one or more bonus and commission checks; in whole or in part.

14.1.4 - The withholding from an Independent Distributor's financial distributions ( as described in Section 12) during the period that LifeVantage is investigating any conduct that allegedly violates the Agreement.

14.1.5 - Suspension of the individual's Independent Distributor Agreement for one or more pay periods;

14.1.6 - Cancellation of the Independent Distributor Agreement;

14.1.7 - Cancellation of any other household members/affiliates Independent Distributor Agreement which is in association with the breaching Independent Distributor;

14.1.8 - Any other measure expressly allowed by the Agreement of which LifeVantage deems necessary to implement and appropriate in order to provide a remedy for injuries caused partially or exclusively by the Independent Distributor's breach;

14.1.9 - The commencement of legal proceedings for monetary or equitable relief or both.

#### 14.2 - Grievances and Complaints

When an Independent Distributor has a grievance or complaint with another Independent Distributor regarding any practice or conduct in relationship to their respective LifeVantage businesses, the complaining Independent Distributor should first report the problem to his or her Enroller who should review the matter and try to resolve it with the other party's upline Enroller. If the matter cannot be resolved, it must be reported in writing to the Customer Service Department at the Company. The Customer Service Department will review the facts and attempt to resolve it.

#### 14.3 - Governing Law; Resolution of Disputes

14.3.1 - The interpretation and enforcement of this Agreement is governed by and shall be construed and interpreted in accordance with the laws of the State of Utah, without giving effect to conflicts of interests principles.

14.3.2 - Except as provided for in 14.3.5, all disputes between the parties that in any way are connected to or that arise out of this Agreement shall be resolved by arbitration only. Unless both parties agree otherwise, arbitration shall be conducted only by and before the American Arbitration Association (the "AAA"), and only in Salt Lake County, Utah, pursuant to the Commercial Arbitration Rules of the AAA.

14.3.3 - All arbitration shall be conducted by a panel of three arbitrators, with one arbitrator being selected by each party and the two arbitrators so selected jointly choosing the third arbitrator.

14.3.4 - As a condition precedent to the filing of any claim to initiate an arbitration proceeding, the party who believes that a dispute exists or that a breach (i.e., a default) of this Agreement has occurred, shall provide notice of the dispute or breach to the other and 15 calendar days opportunity to cure that breach or otherwise convince the complaining party that no claim is necessary. If the party giving the notice is not satisfied with the explanation or cure and believes that a dispute still exists, that party may then file an arbitration claim. The notice shall be in sufficient detail to fairly and reasonably apprise the other of each alleged dispute or default.

14.3.5 - If either party to this Agreement believes that it will suffer irreparable damage as a result of the actions of the other party, it may seek injunctive relief, but only injunctive relief, in any state or federal court as follows:

14.3.5.1 – If the party asserting the dispute or claim is the Distributor, a judicial application for injunctive relief must be filed in a state or federal court in Salt Lake County, Utah;

14.3.5.2 – If the party asserting the dispute or the claim is LifeVantage, a judicial application for injunctive relief must be filed (i) in a state or federal court in Salt Lake County, Utah or (ii) in a state or federal court in any state in which the Distributor has an office or (iii) in the state identified as the Distributor's business address in its Application to be an Independent Distributor.

14.3.6 – Each party who a court or arbitration panel identifies as a prevailing party is entitled to an award of 60% of that party's (i) reasonable attorneys' fees, (ii) related out-of-pocket expenses such as, but not limited to travel, lodging and food expenses and experts' fees and expenses, and (iii) fees, costs and expenses charged by the AAA and its arbitrators or by a court or both.

14.3.7 – An arbitration award shall contain a narrative explanation of the basis for the award, including, if appropriate, references to the applicable provisions of the Agreement, the relevant law, and conduct of the parties.

#### 14.4 – Governing Law, Jurisdiction and Venue

14.4.1 – Louisiana Residents – Notwithstanding the foregoing, Louisiana residents may bring an action against the Company with jurisdiction and venue as provided by Louisiana law.

### **SECTION 15 – ORDERING**

#### 15.1 – Direct Retail Customers and Preferred Customers

Independent Distributors are encouraged to promote LifeVantage's Direct Retail Customer and Preferred Customer Programs to their customers. The Direct Retail Customer and Preferred Customer Program allow both types of customers to purchase their products directly from LifeVantage. Customers simply call LifeVantage's Toll Free Order Number to place their orders, which they can charge to their Credit Card. LifeVantage will send the ordered products directly to the customer. To ensure that Independent Distributors receive the appropriate commission, Direct Retail Customers and Preferred Customers may not place an order without an Independent Distributor's ID Number. Preferred Customers must also enroll in LifeVantage's Autoship program whereby the Preferred Customer will sign up to have a pre-selected package of LifeVantage products delivered to his or her home automatically each month. (For clarification as to the difference between Retail and Preferred Customers, please refer to their respective definitions under Section 18 "Definitions.")

#### 15.2 – Purchasing LifeVantage Products

Each Independent Distributor should purchase his or her products directly from LifeVantage. If an Independent Distributor purchases products from another Independent Distributor or any other source, the purchasing Independent Distributor will not receive the personal sales volume that is associated with that purchase.

#### 15.3 – General Order Policies

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

#### 15.4 – Shipping and Back Order Policy

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

#### 15.5 - Confirmation of Order

An Independent Distributor and/or recipient of an order must confirm that the product received matches the product listed on the shipping invoice, and is free of damage. Failure to notify LifeVantage of any shipping discrepancy or damage within thirty days of shipment waives an Independent Distributor's right to request a correction.

### **SECTION 16 - PAYMENT AND SHIPPING**

#### 16.1 - Deposits

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

#### 16.2 - Insufficient Funds

It is the responsibility of each Independent Distributor to ensure that there are sufficient funds or credit available in his or her account to cover the monthly Autoship order. LifeVantage is not obligated to contact Independent Distributors in regard to orders canceled due to insufficient funds or credit. This type of order cancellation may result in an Independent Distributor's failure to receive product or to meet his or her Personal Sales Volume requirements for the month.

#### 16.3 - Restrictions on Third Party Use of Credit Cards

Independent Distributors shall not permit other Independent Distributors to use his or her credit card.

#### 16.4 - Sales Taxes

By virtue of its business operations, LifeVantage is required to charge sales taxes on all purchases made by Independent Distributors, Preferred Customers, and Direct Retail Customers, and remit the taxes charged to the respective states. Accordingly, LifeVantage will collect and remit sales taxes on behalf of Independent Distributors, based on the suggested retail price of the products, according to applicable tax rates in the state to which the shipment is destined. If an Independent Distributor has submitted, and LifeVantage has accepted, a current Sales Tax Exemption Certificate and Sales Tax Registration License, sales taxes will not be added to the invoice and the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be on the Independent Distributor. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by LifeVantage is not retroactive.

### **SECTION 17 - INACTIVITY AND CANCELLATION**

#### 17.1 - Effect of Cancellation

So long as an Independent Distributor remains active and complies with the terms of the Independent Distributor Agreement, including these Policies and Procedures, LifeVantage shall pay financial distributions (as described in Section 12) to such Independent Distributor in accordance with the Compensation Plan. An Independent Distributor's financial distributions constitute the entire consideration for the Independent Distributor's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following an Independent Distributor's non-renewal of his or her Independent Distributor Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Independent Distributor Agreement (all of these methods are collectively referred to as "cancellation"), the former Independent Distributor shall have no right, title, claim or interest to the marketing organization which he or she operated, or any commission or bonus from the sales generated by the organization. An Independent Distributor whose business is cancelled will permanently lose all rights as an Independent Distributor.

This includes the right to sell LifeVantage products and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Independent Distributor's former downline sales organization. In the event of cancellation, Independent Distributors agree to waive all rights they may have, including but not limited to property rights, to their former downline organization and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former downline organization.

Following an Independent Distributor's cancellation of his or her Independent Distributor Agreement, the former Independent Distributor shall not hold himself or herself out as a LifeVantage Independent Distributor and shall not have the right to sell LifeVantage products. An Independent Distributor whose Independent Distributor Agreement is canceled shall receive commissions and bonuses only for the last full pay period he or she was active prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

#### 17.2 - Cancellation Due to Inactivity

An Independent Distributor has the responsibility to lead his or her marketing organization with the proper example in personal production of sales to end consumers. Without this proper example and leadership, the Independent Distributor will lose his or her right to receive commissions from sales generated through his or her marketing organization. Independent Distributors who personally generate less than \$100 in Personal Volume for any pay period will not receive a commission for the sales generated through his or her marketing organization for that pay period. If an Independent Distributor has not fulfilled his or her Personal Volume for a period of six consecutive calendar months, his or her Independent Distributor Agreement shall be canceled for inactivity. The cancellation will become effective on the day following the last day of the sixth month of inactivity.

#### 17.3 - Involuntary Cancellation

An Independent Distributor's breach of any of the terms of the Agreement may result in any of the sanctions actions in Section 14.1, including the involuntary cancellation of his or her Independent Distributor Agreement. Unless otherwise provided for in the cancellation notice, cancellation shall be effective on the date on which written notice is mailed, faxed, or delivered to an express courier, to the Independent Distributor's last known address (or fax number), or to his/her attorney, or when the Independent Distributor receives actual notice of cancellation, whichever occurs first.

#### 17.4 - Voluntary Cancellation

An Independent Distributor has the right to cancel the Agreement at any time. Cancellation must be submitted in writing to the Company at its principal business address; 10813 S. River Front Parkway Ste. 500 So Jordan, UT. 84095. The written notice must include the Independent Distributor's signature, printed name, address, and Independent Distributor DIN. However, if an Independent Distributor is not in good standing with the Company at the time LifeVantage receives notice of cancellation, the consequences of an involuntary cancellation may take effect. (As per Section 14)

#### 17.5 - Non-renewal

An Independent Distributor may voluntarily cancel his or her Independent Distributor Agreement by sending written notice within 30 days of the anniversary date. The Company may also elect not to renew an Independent Distributor's Agreement upon the Agreement's anniversary date.

### **SECTION 18 - DEFINITIONS**

Acceptance - means your acceptance of the offer of LifeVantage to become a Distributor by completing this application and delivering it to LifeVantage. "Acceptance" shall be deemed to occur when LifeVantage first receives an application from a person who has decided to become a Distributor.

Active Independent Distributor - An Independent Distributor who satisfies the minimum Personal Sales Volume requirements, as set forth in the LifeVantage Compensation Plan, to ensure that he or she is eligible to receive bonuses and commissions.

Active Rank - The term "active rank" refers to the current rank of an Independent Distributor, as determined by the LifeVantage Compensation Plan, for any calendar month. To be considered "active" relative to a particular rank, an Independent Distributor must meet the criteria set forth in the LifeVantage Compensation Plan for his or her respective rank. (See the definition of "Rank" below.)

Agreement - The contract between the Company and each Independent Distributor includes the Independent Distributor Application and Agreement, the LifeVantage Policies and Procedures, the LifeVantage Compensation Plan, and the Business Entity Form (where appropriate), all in their current form and as amended by LifeVantage in its sole discretion. These documents are collectively referred to as the "Agreement."

Breach - "Breach", "Default" and "Violation" mean an actual or alleged transgression or violation of any part of the Agreement.

Cancellation - The termination of an Independent Distributor's business. Cancellation may be either voluntary or involuntary, through non-renewal or inactivity.

Commissionable Products - All LifeVantage products on which financial distributions are paid. Starter Kits and sales aids are not commissionable products.

Company - The term "Company" as it is used throughout the Agreement means LifeVantage Corporation.

Direct Retail Customer - A customer who purchases products directly from LifeVantage at retail prices and who is not an Independent Distributor.

Downline - "My downline", "my downline marketing organization" or "my downline sales organization" means the network of Independent Distributors who exist under me pursuant to the Agreement or any similar reference is only used for simplicity purposes. Independent Distributor understands that (a) Independent Distributor does not have any ownership or possessory right, title or interest in any downline individual, entity, organization or in any materials generated by LifeVantage or created by Independent Distributor or any other individual or entity to the extent that it consists, in whole or in part, of any information about LifeVantage downlines or any part of the Agreement (b) the sole property interest of a Independent Distributor with respect to downlines is the contractual right to receive commissions as set forth in the Agreement; and (c) that LifeVantage is the sole owner of any and all downline rights, titles, interests and materials.

Downline Activity Report - A monthly report generated by LifeVantage that provides critical data relating to the identities of Independent Distributors, sales information, and enrollment activity of each Independent Distributor's Marketing Organization. This report contains confidential and trade secret information which is proprietary to LifeVantage. It is owned solely by LifeVantage.

Downline Leg - Each one of the individuals enrolled immediately underneath an Independent Distributor and their respective marketing organizations represent one "leg" in the Independent Distributor's marketing organization.

End Consumer - A person who purchases LifeVantage products for the purpose of personal consumption rather than that of reselling them to someone else.

Enrolled - The Independent Distributors who have been signed up as LifeVantage Independent Distributors by another Independent Distributor.

Enroller - The Enroller is the Independent Distributor who enrolls a new Independent Distributor into LifeVantage. The Enroller may "place" the new Independent Distributor under himself or herself, or may place the new person under whom the new Independent Distributor is placed is the new Independent Distributor's "placement". The same Independent Distributor may be a new Independent Distributor's "Enroller" and "Placement". See the definition of "Placement" below.

Group Sales Volume (GV) - The commissionable value of LifeVantage products generated by an Independent Distributor's Marketing Organization. Group Sales Volume does not include the Personal Sales Volume (PV) of the subject Independent Distributor. (Independent Distributor Starter Kits and non-product sales aids generate no Group Sales Volume.)

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

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

Marketing Organization - The Independent Distributors who are sponsored below a particular Independent Distributor.

Official LifeVantage Material - Literature, audio or video tapes, and other materials developed, printed, published and dis-

tributed by LifeVantage to Independent Distributors.

**Organizational Sales Volume (OV)** – The commissionable value of LifeVantage products generated by an Independent Distributor’s Marketing Organization including the Independent Distributor’s Personal Sales Volume (PV).

**Personal Production** – Selling product to an end consumer for personal use.

**Personal Sales Volume (PV)** – The commissionable value of products sold in a calendar month: (1) by the Company to an Independent Distributor; and (2) by the Company to the Independent Distributor’s personally enrolled Direct Retail Customers.

**Placement (sometimes referred to as sponsor or placement sponsor)** – An Independent Distributor under whom the Enroller places a new Independent Distributor.

**Preferred Customer** – A customer who has completed a LifeVantage Customer Application and Agreement and purchases products directly from LifeVantage at Independent Distributor prices. Preferred Customers participate in LifeVantage’s Customer Autoship program and receive a selection of LifeVantage products automatically each month.

**Rank** – The “title” that an Independent Distributor has achieved pursuant to the LifeVantage Compensation Plan.

**Recruit** – For purposes of LifeVantage’s Conflict of Interest Policy (Section 6), the term “recruit” means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly or through a third party, another LifeVantage Independent Distributor or Direct Retail Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Independent Distributor’s actions are in response to an inquiry made by another Independent Distributor or Direct Retail Customer.

**Restockable and Resalable** – Products and sales aids shall be deemed “restockable and resalable” if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) the product and packaging are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; 4) products are returned to LifeVantage within 30 days from the date of purchase; 5) the product expiration date has not elapsed; and 6) the product contains current LifeVantage labeling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resalable.

**Retail Customer** – An individual who purchases LifeVantage products from an Independent Distributor.

**Retail Profit** – The difference between the wholesale price of products and the retail price an Independent Distributor receives for products when they are resold.

**Roll-Up** – The method by which a vacancy is filled in a Marketing Organization left by an Independent Distributor whose Independent Distributor Agreement has been cancelled.

**Starter Kit** – A selection of LifeVantage training materials and business support materials that each new Independent Distributor is required to purchase.

**Suggested Retail Price (SRP)** – The price at which LifeVantage suggests Independent Distributors sell a particular product or materials to retail customers.

**Upline** – The Independent Distributor or Independent Distributors above a particular Independent Distributor in a sponsorship line up to the Company. Conversely stated, it is the line of Sponsors that links any particular Independent Distributor to the Company.

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