



Encoura

1. Purpose of Policies

Encoura is a direct sales company that markets products and services through Independent Encoura Agent. It is important to understand that your success and the success of your fellow Agents is dependent upon the integrity of the men and women who market our products and services. To clearly define the relationship that exists between Agents and Encoura, and to explicitly set a standard for acceptable business conduct, Encoura has established these Policies, which are incorporated into, and form an integral part of, your Encoura Agent Agreement. The Encoura Compensation Plan, the Agent Agreement, and these Policies, all in their current form and as amended by Encoura at its sole discretion, together constitute the entire contract between Agents and Encoura. These documents shall be collectively referred to throughout this document as the "Agreement." If you have any questions regarding any policy or procedure, do not hesitate to seek an answer from anyone in your support line or an appropriate person at the Encoura Home Office.

2. Changes to the Agreement, Policies and Procedures or Compensation Plan

Because the law and the business environment periodically change, Encoura reserves the right to amend its Policies and Procedures, the Compensation Plan, product offerings and prices, or any other part of the program, in its sole and absolute discretion. By signing an Agent Agreement, indicating that the terms and conditions are agreed upon, an Agent agrees to abide by all amendments or modifications that Encoura elects to make. Notification of amendments shall be issued in official Encoura materials, which may include Encoura's newsletters, by posting amendments on the Company's Internet web site, via company e-mail, or through special mailings or inserts into product orders. Amendments shall be effective upon publication unless otherwise stated. The continuation of an Agent's Encoura business or a Agent's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

3. Waiver

Encoura never gives up its right to insist on compliance with the Agreement and with the applicable laws governing the conduct of an Encoura business. No failure of Encoura to exercise any right or power under the Agreement or to insist upon strict compliance by an Agent 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 Encoura's right to demand exact compliance with the Agreement. Waiver by Encoura can be effected only in writing by an authorized officer of the Company. Encoura's waiver of any particular breach by an Agent shall not affect or impair the Company's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other Agent. Nor shall any delay or omission by Encoura to exercise any right arising from a breach affect or impair Encoura's rights as to that or any subsequent breach.

The existence of any claim or cause of action of an Agent against Encoura shall not constitute a defense to the Company's enforcement of any term or provision of the Agreement.

4. Severability

If any provision of this Agreement is determined to be invalid or unenforceable for whatever reason, such provision shall be fully severable from this Agreement and the remaining terms shall remain in full force and effect and be construed as if such invalid or unenforceable provision never comprised a part hereof. Furthermore, in lieu of such invalid or unenforceable provision there shall be added in its place a provision as similar in its terms to the invalid or unenforceable provisions as may be possible and legal, valid and enforceable.

5. Agents Status

Agents are independent contractors, and are not purchasers of a franchise. The agreement between Encoura and its Agents does not create an employer/employee relationship, partnership or joint venture between Encoura and the Agent. An Agent shall not be treated as an employee of Encoura for his or her services for any reason, including but not limited to, Federal or State tax purposes, nor



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for purposes of the Federal Insurance Contributions Act, the Social Security Act, State Unemployment Act or State Employment Act. The Agent has no authority (express or implied) to bind the company to any obligation. Agents shall not incur any debt, expense, obligation, or open any bank account on behalf of, for, or in the name of Encoura. Agents are solely responsible for paying all expenses incurred pursuant to operating their businesses, including but not limited to travel, food, lodging, secretarial, office, telephone, and other expenses.

6. Agent Limitation

No individual may own, operate, or participate in more than one Encoura business at a time. An Agent who is a member of a corporation, partnership or other entity that owns or operates an Encoura business may not apply to become an Agent on an individual basis. Only one Encoura business is permitted per household. Requests for exceptions to this policy can be submitted to the Encoura Compliance Department and will be reviewed on a case-by-case basis.

7. Executing and Renewing an Agent Agreement

For federal income tax purposes a completed Agent Agreement is needed by the Company. The Company reserves the right to reject any agreements for new Agents. To become an Encoura Agent, applicants must satisfy all of the following:

- A) Be age of majority in the state in which they distribute Encoura products or services;
- B) Reside in the United States;
- C) Have a valid United States Social Security or Federal Tax ID Number and submit it on the Agent Agreement;
- D) Submit a properly completed Agent Agreement to Encoura. The Agent Agreement shall be executed by the individual who shall be operating the business, or his or her legal representative. If someone other than the individual who will be operating the business executes the Agreement on behalf of the applicant, an original, notarized Power of Attorney must be submitted with the agreement.

The term of the Agreement is six months from the date of enrollment. The Agreement shall automatically renew every six months unless one party provides the other with at least ten days advance written notice of its intent not to renew. Either party may elect not to renew the agreement at any six month renewal date.

8. Agent Benefits

Once Encoura has accepted an Agent Agreement, the benefits of the Compensation Plan and the Agent Agreement are available to the Agent. These benefits include the right to:

- A) Purchase Encoura products and services at the Agent prices.
- B) Retail Encoura products and make a profit (Any Agent who elects to retail Encoura products must have a valid sales tax exemption or resellers certificate for the states they are selling products in).
- C) Sponsor other individuals as Customers or Agents and thereby build a Marketing Organization.
- D) Participate in the Encoura Compensation Plan (receive bonuses and commissions, if eligible).



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9. Encoura Identification Number

Upon enrollment, the Company will provide a unique Encoura Identification Number to the Agent and/or Customer by which he or she will be identified. This number will be used to place orders and to track commissions and bonuses.

10. Signup by Phone

A Sponsor or the new Agent may call the Encoura Home Office during regular business hours to receive an Encoura Identification Number. The caller must be able to provide all necessary Agent information over the phone, such as Social Security or Federal ID Number if needed, sponsor information, shipping address and proper method of payment.

Should phone signup occur a new Agent must submit an Agent Agreement (hard copy) within ten (10) business days to the Encoura home office.

11. Adherence to the Encoura Compensation Plan

Agents must adhere to the terms of the Encoura Compensation Plan as set forth in official Encoura literature. Agents shall not offer the Encoura opportunity through, or in combination with any other system, program, or method of marketing other than that set forth in official Encoura literature. Agents shall not require or encourage other current or prospective Customers or Agents to participate in Encoura in any manner that varies from the program as set forth in official Encoura literature (which includes material on the Encoura web site), nor require the purchase of any product or service, or payment of any fee not specified in the Encoura Marketing Plan.

12. Sponsoring

All Agents in good standing have the right to sponsor others into Encoura. Each prospective Customer or Agent has the ultimate right to choose his or her own Sponsor. If two Agents claim to be the Sponsor of the same Agent or Customer, the first agreement (signed hardcopy) received by Encoura shall be controlling.

13. Cross-Line Sponsoring

Actual or attempted cross-line sponsoring is strictly prohibited. "Cross-line sponsoring" is defined as the sponsoring of an individual or entity that already has a Customer or Agent Agreement on file with Encoura with a different sponsor. The use of a spouse or relative's name, trade name, d.b.a., assumed name, corporation, partnership, trust, Federal ID Number or fictitious ID number, or any other device or contrivance to circumvent this policy is strictly prohibited. An Agent shall not demean, discredit or defame other Encoura Agents in an attempt to entice another Customer, Agent or prospective Agent to become part of his or her organization.

14. Territories & International Marketing

There are no exclusive sales territories within the United States for selling products and services or promoting the opportunity. Encoura Agents must, until further notice, limit the resale of Encoura products and services and the presentation of the Encoura business to prospective customers and Agents located within the United States and U.S. Territories because of critical legal and tax considerations, including: compliance with foreign laws regarding product approval or registration; regulations regarding ingredients, labeling, and packaging; cautionary statements; protection of intellectual property; compliance with customs, tax and immigration laws; compliance with direct selling laws; product and income representations; and literature content and language requirements. Moreover, allowing a few Agents to conduct business in markets not yet opened by Encoura would violate the concept of affording every Agent the equal opportunity to expand internationally.

Accordingly, Agents are authorized to sell Encoura products and services and sponsor Customers and Agents only in the countries in which Encoura is authorized to conduct business as announced in official company literature. At this time Encoura products cannot be shipped into or sold in any foreign country for the purpose of resale. No Agent may sell, give, transfer, import, export or distribute Encoura products or sales



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aids in any unauthorized country. In addition, Agents may not, in any unauthorized country, do the following:

- A) Conduct sales, enrollment or training meetings.
- B) Sponsor or attempt to sponsor Customers or Agents.
- C) Conduct any other activity for the purpose of selling Encoura products, establishing a Marketing Organization, or promoting the Encoura opportunity.

15. Organization Reports Confidential

All Organization Reports (sometimes referred to as "Genealogy Reports") and the information contained therein, whether in hard-copy form or available online are confidential and constitute proprietary information and business trade secrets belonging to Encoura. Organization Reports are provided to Agents in strictest confidence and are made available to Agents for the sole purpose of assisting Agents in working with their respective Marketing Organizations in the development of their respective Encoura businesses. Each Agent and Encoura agrees that, but for this agreement of confidentiality and nondisclosure, Encoura would not provide Organization Reports to the Agent. An Agent shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- A) Directly or indirectly disclose any information contained in any Organization Report to any third party;
- B) Use the information for any purpose other than promoting his or her Encoura business;
- C) Recruit or solicit any Agent or Customer of Encoura listed on any report, or in any manner attempt to influence or induce any Agent or Customer of Encoura, to alter their business relationship with Encoura.

Upon demand by the Company, any current or former Agent will return the original and all copies of Organization Reports, including but not limited to those that have been mailed, faxed, or received via e-mail, to the Company.

16. Ordering

A) Advantage and Wholesale Customers

Under Encoura's Customer Programs, an individual will be purchasing goods directly from Encoura. The product PV/CV associated with the order(s) will be allocated to the Customer placing the order and the Team of the Agent who sponsored the Customer.

B) Purchasing Encoura Products

Each Agent should purchase his or her products directly from Encoura. If an Agent purchases products from another Agent or any other source, the purchasing Agent will not receive the Personal PV/CV production that is associated with that purchase.

C) General Order Policies

On a mail order with invalid or incorrect payment, Encoura will attempt to contact the Agent or Customer by phone, and/or mail to try to obtain another payment. If these attempts are unsuccessful after five (5) working days, the order will be returned unprocessed. No C.O.D. orders will be accepted. Encoura maintains no minimum order requirements. Orders for products and sales aids may be combined.

D) Shipping Policy

Encoura will normally ship products within three (3) business days from the date on which it receives an order.

E) Confirmation of Order

An Agent or Customer must confirm that the products received match the products listed on the shipping invoice and are free of damage. Failure to notify Encoura of any shipping discrepancy or damage within thirty (20) days of shipment will cancel an Agent's right to request a correction.



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F) End of Month Orders

All orders must be received by close of business on the last business day of the month to count for that month; any orders received after that time will count towards the following month.

17. Payment

A) Insufficient Funds

It is the responsibility of each Agent or Customer to ensure that there are sufficient funds or credit available in his or her account to cover any orders placed. Encoura will not contact Agents or Customers in regard to orders cancelled due to insufficient funds or credit. As a result of insufficient funds or credit, an Agents order may not be processed. This action may also result in a commission adjustment.

B) Returned Checks

All checks returned by an Agents or Customer's bank for insufficient funds will be resubmitted for payment. A \$25 returned check fee will be charged to the account of the Agent or Customer. After receiving a returned check, all future orders must be paid by credit card, money order or cashier's check. Any outstanding balance owed to Encoura by a Agent for insufficient fund checks and returned check fees will be withheld from subsequent bonus, commission checks and product returns.

C) Restrictions on Third Party Use of Credit Cards and Checking Account Access. Agents shall not permit other Agents or customers to use their credit cards, or permit debits to their checking accounts to make purchases from the company without written authorization.

18. Bonuses and Commissions

There is only one commissionable event for Encoura Agents: the sale of Encoura products and services. No commissions are earned by merely sponsoring new Agents. Compensation will consist solely of commissions, overrides and/or bonuses related to the sale or other output derived from in-person sales, solicitations or sales to end user consumers.

A) Bonus and Commission Qualifications

An Agent must be active and in compliance with the Agent Agreement and Encoura's Statement of Policies and Procedures to qualify for bonuses and commissions. So long as an Agent complies with the terms of these Agreements, Encoura shall pay commissions to such Agents in accordance with the Encoura Compensation plan.

B) Adjustment for Returned Products and Services

Agents receive bonuses and commissions based on the actual sales of products and services to end consumers. When a product or service is returned to Encoura for a refund or is repurchased by the Company, the bonuses and commissions attributable to the returned or repurchased 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 Agent(s) who received bonuses and commissions on the sale of the refunded goods.

19. Payment Information, Organization Reports & Records

A data processing fee is charged for hard copies of Organization Reports. The fee is 1% of the total commission check with a minimum charge of \$1.00. The fee is deducted from the monthly commission check. Encoura will not issue checks below .74 cents. Extra Organization Reports may be purchased at anytime for \$5.00 for the first 500 names and \$0.01 for each additional name thereafter.

Commission checks and Organization Reports are mailed on or about the fifteenth (15th) of each month for commissions earned during the previous month. When the fifteenth (15th) falls on a weekend or holiday, the checks will be mailed the following business day.



Any request from an Agent for copies of invoices and submitted agreements will require a fee of \$1.00 per page. Encoura will retrieve up to twelve (12) months of past records only.

20. Actions of Household Members or Affiliated Individuals

If any member of an Agent's immediate household engages in any activity which, if Agent by the Agent, would violate any provision of the Agreement, such activity will be deemed a violation by the Agent and Encoura may take disciplinary action, pursuant to the Statement of Policies, against the Agent, up to and including termination. Similarly, if any individual associated in any way with a corporation, partnership, trust or other entity (collectively "affiliated individual") violates the Agreement, such action(s) will be deemed a violation by the entity, and Encoura may take disciplinary action against the entity.

21. Unauthorized Claims and Actions

A) Indemnification

An Agent is fully responsible for all of his or her verbal and written statements made regarding Encoura products, services, and the Marketing and Compensation Plan that are not expressly contained in official Encoura materials. Agents agree to indemnify Encoura and hold the Company harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs or lost business incurred by Encoura, its officers, directors, or employees arising from the Agent's unauthorized representations or actions, including but not limited to unauthorized income and/or product claims.

B) Product Claims

No claims as to therapeutic or curative properties of any products offered by Encoura may be made except those contained in official Encoura literature. In particular, no Agent may make any claim that Encoura products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases. Such statements can be perceived as medical or drug claims. Not only do such claims violate Encoura's policies, but they also violate federal laws and regulations including those administered by the United States Food and Drug Administration.

C) Income Claims

Encoura is committed to ensuring that its marketing opportunity is fairly and accurately presented to the public. Agents therefore must not make any false, misleading or deceptive claims about their or other persons' Encoura income. If, when presenting the Encoura business opportunity, an Agent makes any express or implied claim regarding actual or potential compensation from Encoura, the Agent must also show the prospective Agent Encoura's most recent Annual Income Statistics sheet when available.

Examples of express income claims include, but are not limited to: "I made \$XXXX from my Encoura business last month;" or "Paul's Encoura check was \$XXXX last month." Examples of implied income claims include, but are not limited to: "Joe just bought a new car with his Encoura income;" or "You can quit your job with your Encoura income;" or "With your Encoura income you can retire ten years early." The Annual Income Statistics sheet must also be presented with any hypothetical income projections or models used to illustrate the operation of the Encoura compensation plan.

D) Trade Shows, Expositions and Other Sales Forums

Agents may display and/or sell Encoura products at trade shows and professional expositions. Before submitting a deposit to the event promoter, Agents must contact the Advertising Department in writing for conditional approval, as Encoura's policy is to authorize only one Encoura business per event. Final approval will be granted to the first Agent who submits an official advertisement of the event, a copy of the contract signed by both the Agent and the event official, and a receipt indicating the deposit has been paid. Approval is only given to the event specified. Any requests to participate in future events must again be submitted to the Advertising Department for approval. Approval will not be given for swap meets, garage sales, flea markets, or farmer's markets, as these events are not conducive to the professional image Encoura wishes to portray, and various local laws often prohibit the sale of dietary supplements at such events. Encoura does not provide liability or other insurance coverage that is sometimes required to participate in such events. Such coverage, if necessary, is the responsibility of the Agent. Encoura further reserves the right to refuse



authorization to participate at any function which it does not deem a suitable forum for the promotion of its goods, services, or the Encoura opportunity.

22. Inventory Loading Prohibited

Agents are prohibited from purchasing products solely for the purpose of qualifying for commissions, bonuses or advancement under the Compensation Plan. Agents are not required to make any purchase or maintain an inventory of any kind in order to qualify for the Encoura Compensation Plan. Agents may not encourage others to inventory load. Moreover, Agents are prohibited from carrying inventory for resale purposes unless they have a valid sales tax exemption or resale certificate on file with the Company.

23. Product Sales to End Consumers

The Encoura Marketing and Compensation Plan is based upon the sale of Encoura products and services to end Consumers. Agents must fulfill personal and Team Encoura volume 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 Agents to be eligible for commissions:

A) In order to retain their Teams, Agents must personally produce at least thirty (30) Encoura Point Volume (PV) every six months. Failure to personally produce at least thirty (30) PV for six (6) consecutive months will result in permanent roll up of an organization to the sponsor of the inactive Agent. Failure to place an order for six (6) consecutive months will also result in termination of the Agent Agreement.

B) The Encoura marketing program is built upon sales to the end consumer. At least 70% of an Agent's monthly personal Encoura PV must be consumed by an end consumer each month. Any device or scheme whereby an Agent directly or through a third party purchases excess product for purposes of qualifying for bonuses, commissions or contests constitutes fraud on the part of the Agent.

C) Agents that resell Encoura products are required to furnish their personal retail customers with two copies of a retail receipt at the time of the sale (only Agents with sales tax resale or exemption certificates on file with the company may inventory and retail products). The retail receipts set forth the Customer Refund Warranty for Encoura products, as well as any consumer protection rights afforded by federal or state law. Agents must maintain a copy of all retail receipts for a period of two (2) years and furnish them to Encoura at the company's request. Encoura will maintain records documenting the purchases of Agents.

D) Resale Sales Rule: In order to obtain the right to earn a Bonus or Commission during a given month, an Agent must: (a) make not less than one sale to each of 5 different resale customers (e.g., non-Agent Customers); or (b) have at least 20 PV of sales to any number of resale customers. (A resale customer cannot be another Agent according to the description set forth in # 7E above.)

D1. In producing proof of such sales, the Agent should not disclose the prices at which he or she made the retail sales.

D2. If such Agent fails in any month to make said resale sales and/or to produce such proof of making such sales, then he or she shall be denied his or her Bonus or Commission that month and may subsequently lose all rights if he or she continues to fail to meet this requirement.

24. Advertising Policy

A) General Policy

Encoura's Advertising Policy is designed to protect long-term business growth and to make Encoura a long-term opportunity for our Agents. In the conduct of his or her business, an Agent shall safeguard and promote the reputation of Encoura and its products. Therefore, all advertising material, including but not limited to signs, internet ads and similar methods, produced by an Agent must first be submitted to Encoura's



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Advertising Department for approval. If Encoura does not issue written approval of the advertising material to the Agent, the request for approval shall be denied and the Agent shall not use the material.

B) Trademarks

The Encoura name, product names and other names as may be adopted by Encoura are proprietary trade names, trademarks and service marks of Encoura. As such, these marks are of great value to Encoura and are supplied to Agents for their use only in an expressly authorized manner. Use of the Encoura name, or any product or service name on any advertising, promotion, or other material that is not produced by the company is prohibited. However, Agents may use the Encoura name in telephone book listings, on business cards and stationary as follows:

Agent's Name

Encoura Agent

C) Use of Spokespersons' Names and Likenesses

Agents may use the names and likenesses of spokespersons in Agent produced advertising (with the exception of the Internet) as well as on flyers to promote upcoming events provided they are submitted to and approved by Encoura's Advertising Department. All materials must receive official Encoura approval in writing prior to printing or publication.

D) Internet Policy

Agents can use web sites that are designed and provided by the company to promote their businesses. Only official Encoura produced web sites shall be permitted. If an Agent has a personal web page or a web page for another business, the Agent can place an Encoura approved banner on such web site that will link to the Encoura web site. However, no Encoura banners may be placed on any web site that contains any pornographic or obscene material, or material that, in Encoura's sole discretion, would tarnish or damage its image or reputation. In addition, no Encoura banner may be placed on an Agent's personal or business web page if it promotes any other brand of dietary supplements, skin care products, or products, services, or the program of another network or multilevel marketing company. All search engine advertising such as Google ads, Yahoo or any coupon ads must be authorized in advanced.

E) Spamming and Mass Faxes

Except as provided in this section, Agents may not use or transmit unsolicited faxes, mass e-mail distribution, unsolicited e-mail, or otherwise engage in "spamming" relative to the operation of their Encoura businesses. The terms "unsolicited faxes" and "unsolicited e-mail" and "spamming" mean the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting Encoura, 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 Agent 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 Agent and a person, on the basis of: (a) an inquiry, agreement, purchase or transaction by the person regarding products offered by such Agent or the Encoura income opportunity; or (b) a personal or family relationship that has not been previously terminated by either party. All e-mail and fax messages must advise the recipient that he or she may request to be removed from the sender's mailing list by sending a reply by e-mail or fax to the sender. The sender shall comply with all such requests.

F) Sales Aids

To promote both the products and the tremendous opportunity Encoura offers, Agents must use only the sales aids and support materials produced by Encoura. The rationale behind this requirement is simple: Encoura has carefully designed its products, product labels, the Compensation Plan and promotional materials to ensure that all aspects of Encoura are fair, truthful, substantiated and comply with federal and state laws. If Encoura Agents develop their own sales aids and promotional materials, notwithstanding their integrity and good intentions, the likelihood that they would unintentionally violate statutes or regulations affecting an Encoura business is almost certain. These violations would jeopardize the Encoura opportunity for all Agents. Accordingly, Agents must submit all written sales aids, promotional materials, audio and video materials, advertisements, and other literature to Encoura for approval at least thirty (30) days prior to the



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date on which the Agent wishes to publish or release the material. Unless the Agent receives specific written approval to use the material, the request shall be deemed denied.

G) Telephone Directory & Salutation

All Agents may list themselves as an "Independent Encoura Agent" in the yellow or white pages of the telephone directory under their own name. No Agent may place telephone directory display ads using Encoura's name or logo. Agents may not answer the telephone by saying "Encoura," or "Encoura ," or in any manner that would lead the caller to believe that he or she is a member of the Encoura Home Office. Agents who list toll-free telephone numbers may not use the Encoura name(s), logo(s), or product name (s) in conjunction with such listings. All telephone book listing must include the Agent's name followed immediately by the designation of "Independent Encoura Agent."

H) Audio/Video Recording

Agents shall not record company events, speeches and Conference Calls, nor may Agents reproduce for sale, or for personal use, any recording of company-produced audio or videotape presentations.

I) Domain Names

Agents may register the Encoura Web address assigned to them, when it becomes available, with search engines. Agents shall not register, nor attempt to register, the name of any product or service offered by Encoura, or any trademark or trade name used by Encoura, as an Internet domain name. This applies to marks that are identical to those marks used by Encoura in conjunction with its products and services as well as any marks that are similar in sound or spelling to Encoura's marks.

25. Media and Media Inquiries

An Agent must not attempt to contact or respond to the media regarding Encoura, its products or services, or his or her independent Encoura business. All inquiries by any type of media must be immediately referred to Encoura's Marketing Department. This policy is designed to ensure that accurate and consistent information is provided to the public and to present a proper public image.

26. Meetings

Agents who sponsor an Encoura event that has any representative from the Encoura Home Office in attendance must allow all current and prospective Encoura customers and Agents the opportunity to attend. These events need to be generic Encoura meetings. Only company produced literature can be used and the promotion of any particular group or organization is not permitted. The sponsoring Agent will allow all persons to attend for the same fee; regardless of whether other Agents who wish to attend are in the sponsoring Agent's organization.

27. Re-packaging and Re-labeling Prohibited

Agents may not re-package, re-label, refill, or alter the labels on any Encoura product, information, materials, or programs in any way. Encoura products must be sold in their original containers only. Such re-labeling or re-packaging is likely to violate federal and state laws, which could result in severe criminal penalties. In addition, civil liability could arise when, as a consequence of the re-packaging or re-labeling of products, the persons using the products suffer any type of injury or their property is damaged.

28. Conflict of Interest

Encoura Agents may participate in other direct selling, network marketing or multilevel marketing ventures (collectively "multilevel marketing"), and Agents may engage in selling activities related to non-Encoura products and services if they desire to do so. However, if an Agent elects to participate in another multilevel marketing opportunity, in order to avoid conflicts of interest and loyalties, Agents are prohibited from unauthorized recruiting, which includes but is not limited to the following:



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A) During the term of this agreement, Agents are prohibited from actual or attempted recruitment or enrollment of Agents or Customers for other multi-level marketing business ventures, either directly or through a third party. This includes, but is not limited to, presenting or assisting in the presentation of other multilevel marketing business ventures to any Encoura Customer or Agent or implicitly or explicitly soliciting or encouraging any Encoura Customer or Agent to join other business ventures. Because there is an extreme likelihood that conflicts will arise if an Agent operates two multilevel marketing programs, it is the Agent's responsibility to first determine whether a prospect is an Encoura Customer or Agent before recruiting or enrolling the prospect for another multilevel marketing business venture.

B) For a period of twelve (12) months following the cancellation of a Agent's Agreement, the former Agent shall not directly or indirectly recruit or enroll any Encoura Agent or Customer for another multilevel or network marketing business if: 1) the Agent or Customer was in the former Agent's Encoura Marketing Organization (including support line); or 2) if the former Agent became acquainted with the Agent or Customer by virtue of their relationship with Encoura.

C) Appearing in any literature, tapes, conference calls, on-line advertisements and chat rooms, or promotional material of any nature for another multilevel marketing business that is used by the Agent or any third person to recruit Encoura Customers or Agents for that business venture.

D) Selling, offering to sell, or promoting any competing non-Encoura products or services to Encoura customers or Agents. Any product or services in the same generic category as an Encoura product or service is deemed to be competing (by way of example, and not limitation, any dietary supplement is in the same generic category as Encoura's dietary supplements, and is therefore a competing product, regardless of differences in cost, quality, ingredients or nutrient content). A limited exception to this policy applies to licensed health care practitioners. Licensed health care practitioners may sell competing dietary supplements to Encoura Agents and Customers if: (1) such Agents or customers are also patients of the health care practitioner; and (2) the care practitioner believes it is in the best interest of the patient to use an alternate dietary supplement. In order to qualify under this "health care practitioner" exemption, the health care practitioner must have a currently active license issued by the state in which he or she conducts his or her health care practice. Possession of a license issued by entities other than official state boards or licensing bureaus will not entitle an Agent to fall within the health care practitioner exemption.

E) Offering Encoura products or services, or promoting the Encoura Marketing and Compensation Plan, in conjunction with any non-Encoura products, services, business plan, opportunity, product or incentive.

F) Offering any non-Encoura products, services, or business plan at any Encoura meeting, seminar, launch, convention, or other Encoura function.

Violation of any provision of this policy constitutes an Agent's voluntary resignation and cancellation of his/her Agent Agreement, effective as of the date of the violation, and the forfeiture by the Agent of all commissions or bonuses payable for and after the calendar month in which the violation occurred. If Encoura pays any bonuses or commissions to the Agent after the date of the violation, all bonuses and commissions for and after the calendar month in which the violation occurred shall be refunded to Encoura.

29. Commercial Retail Outlets

Encoura is a home-based business opportunity. To maintain a standard of fairness, Agents may not display or sell Encoura products in retail or wholesale stores. Any display of Encoura products must be in a professional manner. Encoura products may not be sold at swap meets, flea markets, garage sales or any online marketing portals such as ebay, buy.com or Amazon.



30. Continuing Development Obligations

A) Ongoing Training

Any Agent who sponsors or enrolls another Agent into Encoura must perform a bona fide supervisory function to ensure that the members of his or her organization are properly operating their Encoura businesses. Agents must have ongoing contact, communication and management supervision with the Agents and Customers in their Marketing Organizations. Examples of such contact and supervision may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of Agents to Encoura meetings, training sessions, and other functions.

Agents are also responsible for motivating and training new Agents in their organizations on Encoura product knowledge, effective sales and enrollment techniques, the Encoura Marketing and Compensation Plan, and compliance with Company Policies and Procedures. Agents must monitor the Agents in their organizations to ensure that Agents do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every Agent must be able to provide documented evidence to Encoura of his or her ongoing fulfillment of the responsibilities of a sponsor.

B) Increased Training Responsibilities

As Agents progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge and the Encoura program. They will be called upon to share this knowledge with lesser-experienced Agents within their organizations.

C) Ongoing Sales Responsibilities

Regardless of their level of achievement, Agents have ongoing obligations to continue to personally promote sales through the development of new Customers and, if the Agent has a sales tax exemption or reseller's certificate, through the development of new retail customers and servicing their existing retail customers.

D) Non-Disparagement

Encoura wants to provide its independent Agents 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 Encoura's Agent Affairs Department. Remember, to best serve you, we must hear from you! While Encoura welcomes constructive input, negative comments and remarks made in the field by Agents about the Company, its products, or compensation plan serve no purpose other than to sour the enthusiasm of other Encoura Agents. For this reason, and to set the proper example for their Organization, Agents must not issue false or misleading statements, disparage, demean, or make negative comments about the Company, other Encoura Agents, its products, the Marketing and Compensation plan, or officers, or employees, to any third party other than members of Encoura's Agent Affairs Department.

31. Return Policy

A) Returns by Agents and Customers

Encoura offers customers a 30-day money-back guarantee. If for any reason, a customer is dissatisfied with any Encoura product, he or she may return that product and/or any unused portion of the product or empty containers and request a refund or exchange based on the purchase price (less shipping and handling) if requested within 30-days from the date of purchase. All exchanges are final. If a customer is also a Agent, this refund provision is limited to \$100 per year. Returns in excess of \$100 per year will constitute the Agent's request to voluntarily cancel his or her Agent Agreement. See Return Policy on the invoice for details.

B) Returns by Personal Retail Customers

Agents must provide their personal retail customers with an unconditional thirty-day (30) money-back guarantee. If, for any reason, a personal retail customer is dissatisfied with any Encoura product, he or she may return that product and/or any unused portion of the product or empty containers to the Agent from whom it was purchased within 30 days from the date of purchase for a replacement, exchange or full refund of the purchase price (less shipping and handling). If a Agent is returning merchandise to Encoura that was returned to him or her by a personal retail customer, the product must be received by Encoura within ten (10) days from the date on which the retail customer returned the merchandise to the Agent, and must be accompanied



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by the retail sales receipt the Agent gave to the customer at the time of the sale. See Return Procedures on invoice for details.

C) Returns of Sales and Product Kits

Sales and Product Kits must be returned in their entirety and within 90 days of the purchase date for a full product refund or exchange to be given. If a partial Sales and Product Kits is returned the refund or exchange will be computed using the full wholesale price of the items that are not returned. In addition, all returned items must be in resalable condition.

D) Inventory Returns and Refunds after 30 Days

If a Encoura customer wishes to terminate his or her Agent agreement or Benefit Customer agreement and return product that is beyond 30 days from the date of purchase, the company will issue a refund on all resalable products and sales aids that the Agent or Customer personally purchased from the Company within the immediately preceding 12 months. The refund shall be at a rate of 90% of the price paid for the products or sales aids (no refunds for shipping costs). Products and sales aids shall be deemed "resalable" if: (1) the product or sales aids, and their packaging, are in a condition that it is commercially reasonable for Encoura to resell the merchandise at 100% of its wholesale cost; and (2) the expiration date on the product has not elapsed; and (3) the labeling on the product is current; and (4) the product or sales aids are unopened and the seals are unbroken (discontinued products and sales aids are non-refundable); and (5) the product or sales aids are in their original containers, and have not been damaged in any fashion. Return shipping costs shall be paid by the returning Agent.

32. Return Procedures

All merchandise must be returned by the Agent or Customer who purchased it directly from Encoura. Encoura must authorize all returns before they are shipped to the company. Agents and Customers must contact the Customer Service Department at the Encoura Home Office to obtain a Return Authorization (RA) number. Returns must be shipped within five (5) days of receiving the RA number. Proper shipping carton(s) and packing materials are to be used in packaging the product(s) being returned for replacement, and the best and most economical means of shipping is suggested. All returns must be shipped to Encoura shipping pre-paid. Encoura does not accept shipping-collect packages. The risk of loss in shipping for returned product shall be on the Agent or Customer. If returned product is not received by the Company's Distribution Center, it is the responsibility of the returning party to trace the shipment. The return must be accompanied by the:

1. RA number;
2. copy of the invoice;
3. copy of the original dated Retail Form (if applicable);
4. unused portion of the product in its original container and/or any empty containers.

33. Taxes

A. Agents of Encoura are not employees of Encoura. Each Independent Agent who earns a commission or any other type of income as a result of being an Agents of Encoura, is totally and personally responsible to report and pay for **ANY** and **ALL** types of Federal, State and Local income taxes, corporate, commission taxes, sales taxes, fees, dues, penalties or any other type of liability or monies that are due to **ANY** and **ALL** Federal, State, Local or any other type of Government or private agency.

Encoura is not, can not and will not be responsible for any and all monies due to any and all Government or private agency that any Agents of Encoura may have personally incurred.

Every year, Encoura will provide IRS Form 1099 MISC (Non-Employee Compensation) earnings statement to each U.S. resident who falls into one of the following categories:

- * Had earnings (commissions, bonuses, prizes, awards) of \$600 or greater in the previous calendar year; or
- * Made purchases during the previous calendar year in excess of \$5,000.

The Agent's social security number must be correctly set forth on the front of the Agent Agreement as



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submitted. Encoura will be indemnified for any and all expenses, fees, fines, settlements, or judgments (collectively "costs") imposed upon the company by any taxing authority as a result of any inaccurate information that an Agent has provided. Encoura will withhold any such sums from an Agent's bonus and commission checks, although Encoura may, at its discretion, pursue other avenues of relief against the Agent to collect such sums if the Agent's bonus and commission checks are insufficient to cover the full amount of the costs.

B. APPLIES TO WISCONSIN RESIDENTS ONLY. By virtue of its business operations, Encoura is required to charge sales taxes on all purchases made by Agents and Advantage Customers, and to remit the taxes charged to the state of Wisconsin. Accordingly, Encoura will collect and remit sales taxes on behalf of Agents in Wisconsin based on the selling price of the products, according to applicable tax rates in the sales tax jurisdiction to which the shipment is destined.

In order to collect sales tax based on the selling price of the products rather than the Retail Customer price only, Agents may only purchase products for personal use unless they have a valid sales tax exemption or reseller's certificate on file with the Company. If an Encoura Agent has a valid sales tax certificate on file, no sales tax will be charged on sales to the Agent, and it shall be the Agent's responsibility to collect and remit the appropriate sales tax to the proper taxing jurisdiction when the products are resold to retail customers.

Exemption from the payment of sales tax is applicable only to orders that are shipped to an Agent for which the proper tax exemption papers have been filed and accepted. Any sales tax exemption accepted by Encoura is not retroactive.

34. Use of AGENT's Name and Likeness

Agents agree to permit Encoura to use their personal story(s), name(s), photograph(s), and/or likeness(es) in any Encoura promotional literature, and waive all rights and claims to remuneration for such use.

35. Errors

In case of errors or questions about commissions, orders, or charges, please notify the Encoura Customer Service Department immediately. Encoura will not be responsible for any errors, omissions or problems not reported within thirty (30) days of receipt.

36. Changes to the Encoura Business, Address & Telephone

A) General Business Changes

Each Agent must immediately notify Encoura of all changes to information contained on his or her Agent Agreement and Benefit Customer Agreement. Agents may modify their existing Agent Agreement (i.e., change Social Security Number to Federal ID Number) by submitting a written request and a properly executed Agent Application and Agreement.

B) Change of Address or Telephone

To ensure timely delivery of products, support materials, and commission checks, it is critically important that Encoura's files are current. If a Agent is planning to move, he or she should send the new address and telephone number to Encoura's Home Office to the attention of the Order Department. To guarantee proper delivery, two (2) weeks advance notice must be provided to Encoura on all changes.

37. Transfer of Sponsorship

Encoura strongly discourages the transfer of Agents from one organization to another. In rare and unique situations however, Encoura will consider such requests but final approval rarely will be granted. Transfers requested for the purposes of qualification for advancement or achievement of higher titles will not be approved under any circumstances.



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All transfers of sponsorship are subject to final approval by Encoura and are effective solely upon confirmation by Encoura. Transfers will be considered in the following circumstances only:

A) Within the Enrollment Month

If a written transfer request and new agreement are received by the Company and the transfer request includes: (1) written approval of the Agent or Customer (2) written approval of the current sponsor and (3) if the Agent has an organization, written approval of the current Team Leader. (no transfer fee)

B) Within Thirty (30) Calendar Days of Enrollment

If a written transfer request and new agreement are received by the Company and the transfer request includes: (1) written approval of the Agent or Customer, (2) written approval of the current sponsor and (3) if the Agent has an organization, written approval of the current Team Leader. (\$10 transfer fee per sponsor)

C) After Thirty (30) Calendar Days of Enrollment

If a written transfer request and new agreement are received by the Company and the transfer request includes: (1) written approval of the Agent or Customer, (2) written approval of the current sponsor and (3) written approval of the current Team Leader. (\$100 transfer fee)

D) In cases involving fraudulent inducement or unethical sponsoring by the sponsor or support line. In such cases, Encoura will be the final authority. Encoura will send notification of its decision within thirty (30) days

E) If a Agent cancels his or her Encoura Agreement and does not own, operate, or participate in any Encoura business for six (6) consecutive calendar months, that Agent may re-enroll under a new sponsor. There is no Company approval necessary in this situation, although the Company always reserves the right not to accept any new or renewal agreement.

38. Sale or Assignment of Encoura Business

Although an Encoura business is a privately owned, independently operated business, the sale or assignment of the Encoura business is subject to certain limitations. Prior to selling an Encoura business, the selling Agent must notify Encoura's Compliance Department of his or her intent to sell. If an Agent sells or assigns his or her Encoura business, the following criteria must be met:

A) The seller must pay a transfer fee of \$100.00 to Encoura.

B) The selling and buying Agents must be in good standing and not in any violation of any of the terms of the Agreement in order to be eligible to buy, sell or assign a Encoura business.

C) The buyer must become a qualified Encoura Agent before becoming eligible for a purchase, assignment or acquisition of any interest in the Encoura business.

D) The selling Agent will not be eligible to participate in the Encoura's compensation plan for a period of six (6) calendar months after the sale.

E) If the buyer or an immediate household family member of the buyer already owns an Encoura business, the buyer or immediate household family member must relinquish his or her current business by terminating his or her existing Encoura Agent Agreement or transferring it to someone other than a household member, and the buyer may have no operational, managerial, or financial interest whatsoever in the original business. The buyer may then buy a new Encoura business without six months of inactivity.

F) Agent businesses that have or have had a total group volume of 2,000 Encoura PV or more may not be transferred to any other party as any such transfer would constitute the purchase of status or position.

All sales and assignments of an Encoura Business are subject to final approval by Encoura and are effective solely upon confirmation by Encoura. Please allow thirty (30) days for review. Encoura will send notification of the decision. No transfers will take place after the 25th of each month, any request received after the 25th of a given month will be considered in the next month.



39. Succession

Upon the death or incapacitation of an Agent, his or her business may be passed to his or her heirs. Appropriate legal documentation must be submitted to Encoura to ensure the transfer is proper. Required documentation includes: 1) a death certificate; 2) a notarized copy of the deceased or incapacitated Agent's will or trust document; 3) a completed Agent Application and Agreement executed by the beneficiary. This must be done within two (2) months of death or incapacitation by the successor; otherwise, the Agent's Agreement will be cancelled.

If the deceased or incapacitated Agent bequeaths his or her Encoura business to multiple heirs, the heirs must form a business entity to operate the business. Under no circumstances will Encoura divide an Organization or monthly commission and bonus checks among multiple parties. The Company will issue a single check to the business entity created by the deceased's heirs.

40. Divorce or Dissolution

If a business entity operating an Encoura business dissolves or ceases its existence, Encoura will continue to pay commissions and issue awards and recognition, according to the status quo as it existed prior to institution of the divorce or dissolution proceedings. No changes to the Encoura business, nor payees on the commission checks, shall be permitted during the pendency of divorce or dissolution proceedings. Once the divorce or dissolution is finalized, Encoura will place the business in the name of the spouse who is entitled to receive it according to a court's divorce decree or a final property settlement agreement. In the case of business entity dissolution, the business shall be transferred into the name of the individual who is entitled to operate it according to the agreement settling and winding up business affairs. It shall be the responsibility of the individual receiving the business to provide Encoura with a certified copy of the property settlement agreement, divorce decree, or other dissolution agreement. Under no circumstances will Encoura divide the organization, or issue separate commission and bonus checks to the spouses or business affiliates. If the former spouses or business affiliates consent or enter into any form of agreement or order that requires the Company to issue more than one commission check or divide Organizations, the Agent Agreement and business shall be cancelled.

41. Titles Not Forfeited

An Agent can lose his/her paid status and therefore the right to participate in the corresponding commission and bonus if he/she no longer qualifies for the commission or bonus pertaining to such status. However, as long as an Agent remains active, he/she will not forfeit the title of the highest status he/she has achieved.

42. Inactivity and Cancellation

A) Roll Up

When a vacancy occurs in a Marketing Organization due to the non-renewal, inactivity, voluntary resignation or involuntary termination of a Agent (collectively "canceled"), each Agent personally sponsored by the Canceled Agent (a "First Level Agent") will have the opportunity to roll up into the position of the Canceled Agent.

Note: Roll up will occur after the second month of an Agent being canceled.

The Sponsor of the Canceled Agent will not inherit the Canceled Agent's Personal Sponsored until the requirements stated in Policy 44 are met.

B) Effect of Cancellation and Roll Up

So long as an Agent remains active and complies with the terms of the Agent Agreement and Policies and Procedures, Encoura shall pay commissions to such Agent in accordance with the Compensation Plan. An Agent's bonuses and commissions constitute the entire consideration for the Agent's efforts in generating sales and all activities related to generating sales (including building a Marketing Organization). Following the non-renewal of an Agent's Agreement (non-renewal may be at the discretion of either the Agent or the



Company), an Agent's cancellation for inactivity, or the voluntary or involuntary cancellation of an Agent's Agreement (all of these methods are collectively referred to as "cancellation"), the former Agent shall have no right, title, claim or interest to the Marketing Organization that he or she operated prior to the cancellation, or to any commission or bonus from the sales generated by the Organization. Agents waive all rights and claims, including but not limited to property rights that they may have to the Marketing Organization. Following an Agent's cancellation of his or her Agent Agreement, the former Agent shall not hold himself or herself out as an Encoura Agent and shall not have the right to sell Encoura products or services. An Agent whose Agent Agreement is canceled shall receive commissions and bonuses only for the last full pay period he or she worked prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

C) Involuntary Cancellation

An Agent's violation of any of the terms of the Agreement, including any amendments that may be made by Encoura in its sole discretion, may result in any of the sanctions listed below, including the involuntary cancellation of his or her Agent Agreement. Involuntary cancellation shall be effective on the date on which written notice is mailed, return receipt requested, to the Agent's last known address, or when the Agent receives actual notice of cancellation, whichever occurs first.

D) Voluntary Cancellation

A participant in this direct sales plan has the right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the Agent's signature, printed name, address and Encoura I.D. number.

E) Non-renewal

The term of this Agreement is six months from the date of enrollment. The Agreement shall automatically renew every six months unless one party provides the other with at least ten days advance written notice of its intent not to renew. Either party may elect not to renew the agreement at any six month renewal date.

F) Inactivity

It is the Agent's responsibility to lead his/her Marketing Team with the proper example in the production of Customers and PV. Without this proper example and leadership, the Agent will lose his/her right to receive commissions and bonuses from his/her Marketing Team. The more, an Agent and Customer is considered to be active in the months he/she has placed a personal order totaling five (5) PV or more and an Agents must perform a roll in the marketing organization. Also in order to retain an Organization and active status, Agents and Customer must personally produce at least thirty (30) PV every six months. Failure to personally produce at least thirty (30) PV for six (6) consecutive months will result in an inactive status and for Agents permanent roll up of an Organization. The roll up shall become effective in the month following the last day of the second month of inactivity. In addition, failure to produce Point Volume, in any amount, for six (6) consecutive months will result in cancellation of the Agent's Agreement. The account cancellation shall become effective in the seventh (7) month of inactivity on or about the 15th business day.

43. Inheritance of Sponsored from a Canceled Agent

A. The first active Sponsor of a Canceled Agent will inherit the Personal Sponsored of said Canceled Agent.

B. To qualify for any roll up or inheritance, the Agent who will be receiving the roll up or inheriting the Personal Sponsored must be in compliance with Encoura's Policies and Procedures.

C. Inherited Sponsored will not count toward contest qualifications.

D. The term "canceled", refers to account inactivity, voluntary resignation or involuntary termination and is further defined in our current Roll-up Policy.

E. Inheritance will take place in the month following the completion of all requirements.



44. Dispute Resolution and Disciplinary Proceedings

A) Disciplinary Sanctions

Violation of the Agreement, these Policies and Procedures, or any illegal, fraudulent, deceptive or unethical business conduct by a Agent may result, at Encoura's discretion, in one or more of the following corrective measures:

1. Issuance of a written warning or admonition;
2. Requirement that the Agent take immediate corrective measures;
3. Restricting the Agent's privileges;
4. Imposition of a fine that may be withheld from bonus and commission checks;
5. Loss of rights to one or more bonus and commission checks;
6. Adjustment of any Marketing Organization, including the movement of all or part of the Marketing Organization to another Agent;
7. The withholding of all or part of the Agent's bonuses and commissions during the period that Encoura is investigating any conduct allegedly violating the Agreement and, if an Agent's business is canceled for disciplinary reasons, the Agent will not be entitled to recover any commissions withheld during the investigation period;
8. Suspension of the individual's Agent Agreement for one or more pay periods, with a corresponding permanent loss of commissions during the suspension period;
9. Suspension or permanent revocation of privileges associated with being an Agent Involuntary cancellation of the offender's Agent Agreement;
10. Any other measure expressly allowed within any provision of the Agreement or which Encoura deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Agent's policy violation or contractual breach;
11. Institution of legal proceedings for monetary and/or equitable relief in situations deemed appropriate by Encoura.

B) Reporting Policy Violations

An Agent observing a policy violation by another Agent shall submit a written report of the violation directly to the attention of the Encoura Compliance Department. Details of the violation(s) such as dates, number of occurrences, persons involved, and any supporting documentation must be included in the report.

C) Grievances and Complaints

When an Agent has a grievance or complaint about another Agent regarding any practice (other than a breach of the Agreement, which must be reported to the Company pursuant to subsection (B) immediately above) in relationship to his or her respective Encoura businesses, the complaining Agent should first report the problem to his or her sponsor and enroller who should review the matter and try to resolve it with the other party's support line sponsor. If the matter cannot be resolved, it must be reported in writing to the Compliance Department at the Encoura Home Office. The Compliance Department will review the facts and attempt to resolve the situation if appropriate.

D) Appeals of Sanctions

Following issuance of a final sanction, the disciplined Agent may appeal the sanction to the Compliance Department. The Agent's appeal must be in writing and received by the Company within fifteen (15) days from the date of Encoura's notice. If Encoura does not receive the appeal within the fifteen (15) day period, the sanction will be final. The Agent must submit all supporting documentation with his or her appeal correspondence. If the Agent files a timely appeal of a sanction, the Compliance Department will review and reconsider the sanction, consider any other appropriate action and notify the Agent in writing of its decision. In some cases an Agent may be placed on suspension or other sanctions imposed while Encoura is conducting an investigation into the matter. Such interim sanctions are not "final" sanctions and are not subject to appeal.

E) Arbitration, Governing Law, Venue and Jurisdiction

The Agreement will be governed by and construed in accordance with the laws of the State of Wisconsin, unless the laws of the state in which the Agent resides expressly require the application of its laws. Unless the laws of the state in which an Agent resides expressly prohibit the consensual jurisdiction and venue provisions of the Agreement, in which case such state law shall govern, disputes and claims relating to



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Encoura, the Agreement, or Encoura's products and services, the rights and obligations of an Agent and Encoura, or any other claims or causes of action relating to the performance of either an Agent or Encoura under the Agreement shall be settled totally and finally by arbitration in Madison, Wisconsin, or such other location as Encoura prescribes, in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association which are in effect at the time the arbitration is filed. All parties to the arbitration shall be entitled to receive all discovery rights allowed by the Federal Rules of Civil Procedure. If an Agent files a claim or counterclaim against Encoura, he or she shall do so on an individual basis and not with any other Agent or as part of a class action. The decision of the arbitrator shall be final and binding on the parties and may, if need be, reduced to a judgment in any court of competent jurisdiction. This agreement to arbitrate shall survive the cancellation of the Agreement.

Nothing in the Agreement or the above arbitration provision shall prevent Encoura from applying to any court and obtaining a writ of attachment, temporary restraining order, preliminary injunction, permanent injunction or other equitable relief available to safeguard and protect Encoura's interests prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding. The parties consent to exclusive jurisdiction and venue before any federal or state court residing in Dane County, Wisconsin for any action seeking equitable relief.

45. Definitions

AGENT: Is a person or persons that has an accepted Agent agreement on file with Encoura and has qualified for a bonus in Encoura's compensation plan.

Commission Volume (or "CV"): Every commissionable Encoura product or service has a commission value attached to it. These points are called "CV." The CV accumulated by an Agent's Marketing Team and personal efforts are used in the determination of the **amount of** an Agent's bonuses and commissions.

Customer: When the word "Customer" is used with an upper case "C," it refers to persons or entities that have enrolled in Encoura's Advantage or Wholesale Customer Programs.

customer - When the word "customer" is used with a lower case "c," it refers to persons who have enrolled in Encoura's Advantage Customer programs and to persons who purchase products on a retail basis from Encoura Agents.

Leg: Each personally sponsored person or persons in your Marketing Team becomes a Leg within your Marketing Team.

Organization: See Team below.

Personal PV: The PV from your personal purchases and your non – Agent Customers together make up your personal PV.

Point Volume (or "PV"): Every commissionable Encoura product or service has a point value attached to it. These points are called "PV." The points accumulated by an Agent's Marketing Team and personal efforts are used in the determination of the Agent's **qualification for** bonuses and commissions.

Recruit: Actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another Encoura Agent or Customer to enroll or participate in another multilevel marketing, network marketing sales opportunity. This conduct constitutes recruiting even if the Agent's actions are in response to an inquiry made by another Customer or Agent.

Support Line Team: The immediate Sponsor and all Agents and Team Leaders in the genealogical hierarchy above a given Agent.

Team: An Agent's "Team" consists of customers, personally sponsored Agents, and all other Agents and customers in the Legs of your personally sponsored Agents.