



# **YOUNG LIVING ESSENTIAL OILS, LC**

## INDEPENDENT DISTRIBUTOR

*Policies and Procedures*

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## SECTION 1: *Introduction*

### 1.1 *Welcome*

Welcome to Young Living Hong Kong Limited (“Young Living”)! We are pleased that you have chosen to become an independent distributor of Young Living.

### 1.2 *Definitions*

In these Policies and Procedures, unless the context otherwise defines, the following expressions shall have the following meanings:

“**Affiliated Parties**” has the meaning given to it under Section 2.4;

“**Agreement**” has the meaning given to it in Section 1.5;

“**Associate**” shall have the meaning as follows:

- a. in relation to an individual means:
  - i. his spouse and any child or step-child of the person or of his spouse (“family interests”);
  - ii. the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - iii. any company in the equity capital of which he and/or his family interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company;
- b. in relation to a company means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity capital of which it and/or such other company or companies taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting

power at general meetings, or to control the composition of a majority of the board of directors;

“**Beneficiary**” has the meaning given to it under Section 2.5.1;

“**Business**” means the business of Young Living being network marketing of essential oil products through independent distributors;

“**Business Day**” means a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business;

“**Business Entities**” or “**business entity**” has the meaning given to it under Section 2.6;

“**COD**” means Cash On Delivery;

“**Compensation Plan**” means the global compensation plan organized and managed by Young Living Essential Oils, LC under the laws of the state of Utah, the United States of America, and under which the Distributors and the distributors of the other members of the Young Living Group shall be eligible, subject to the fulfillment of specified sales requirements for bonuses, commissions and order benefits;

“**Customer**” has the meaning given to it under Section 2.1;

“**Distributors**” means the independent distributors of Young Living of which you are one;

“**Distributor’s Agreement**” means the application made by a person and upon which an agreement is made with such person to become an independent distributor of Young Living;

“**Distributor Sites**” has the meaning given to it under Section 4.6;

“**Enroller**” means the Distributor, if any, responsible for enrolling you as a Distributor;

“**Entity**” has the meaning given to it under Section 2.3;

“**Essential Rewards Autoship Program**” has the meaning given to it under Section 8.2;

“**Essential Rewards credits**” means the credits earned by an Essential Rewards member pursuant to the terms of Section 8.2.1;

“**Essential Rewards members**” has the meaning given to it under Section 8.2;

“**Essential Rewards order**” means an order placed by an Essential Rewards member pursuant to the terms of Section 8.2.4;

**“Gold”**, **“Platinum”** or **“Diamond”** shall have the meanings given to such terms in the Compensation Plan;

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s of China;

**“Involuntary Termination”** has the meaning given to it under Section 13.3;

**“Level”** means the position of a Distributor within an organization. Those Distributors who are immediately sponsored by another Distributor would be considered the sponsoring distributor’s first level. Those Distributors who are sponsored by a Distributor’s first level would be considered that Distributor’s second level and so on;

**“Member”** means any Distributor or customer;

**“Non-Young Living Program”** has the meaning given to it under Section 2.10.2;

**“OGV”** means Organization Group Volume as defined in the Compensation Plan;

**“organization”** means all members located beneath a particular Distributor. This includes the Distributor and all levels within his or her organization;

**“PDPO”** means the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong);

**“Parties Concerned”** has the meaning given to it under Section 12.2.1;

**“Personal Data”** has the meaning given to it under Section 2.16;

**“Personal Information Change Form”** means a form prescribed by Young Living from time to time for updating the Distributor’s information;

**“Privacy Policy Statement”** means the privacy policy statement published by Young Living from time to time in connection with the collection, use, transfer and retention of personal data, which is assessable at hyperlink of client’s website;

**“PV”** means personal volume as defined in the Compensation Plan and is one of the requirements for ranking within the Compensation Plan;

**“Reports”** has the meaning given to it under Section 2.11;

**“Return Merchandise Authorization Number”** or

**“RMA”** has the meaning given to it under Section 7.2;

**“rollup”** means has the meaning given to it under Section 2.7;

**“same household”** has the meaning given to it under Section 2.2;

**“sponsor”** means the Distributor’s immediately above you in your upline and your main support and

who can also be the enroller;

**“Starter Kit”** means a kit that helps Distributors get started with their Young Living experience by providing material on Young Living’s products and business;

**“subsidiaries”** and **“holding company”** have the meanings attributed to them in section 2 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong);

**“Transfer”** has the meaning given to it under Section 2.5;

**“Username”** has the meaning given to it under Section 4.6;

**“Virtual Office”** means a software business tool program that allows Distributors to manage their Young Living business;

**“your distributorship”** or **“your sales organization”** means your personal distributor account along with the downline that you build;

**“Young Living”** has the meaning given to it under Section 1.1;

**“Young Living Order Form”** means the order form prescribed by Young Living from time to time for use by the Distributors to purchase Young Living’s products

**“Young Living Group”** means the holding company of Young Living and its subsidiaries from time to time, and **“member of the Young Living Group”** shall be construed accordingly;

**“Young Living’s placement program”** means a program that automatically places new customers and members who do not have an enroller/sponsor when they sign up. They will be placed under an active leader within the region (Silver and above). A report is pulled monthly to show active leaders (Silver and above) in different areas of the world. Based on the level of activity, rank and region of the world, leaders are selected to receive new members that sign up in such placement program. New members shall be divided up equally among different leaders.

### 1.3 Interpretations

References herein to statutory provisions shall be construed as references to those provisions as amended or re enacted or as their application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re enactments

(whether with or without modification).

The headings herein are inserted for convenience only and shall not affect the construction of the Agreement.

Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing a gender include every gender.

References herein to persons include references to individuals, firms, limited liability companies, corporations and unincorporated bodies of persons and vice versa (where the context requires).

#### 1.4 *Purpose*

The purposes of these Policies and Procedures are:

- to set standards of acceptable business behavior expected of you;
- to define your relationship with Young Living, your customers, and other Distributors; and
- to assist you in building and protecting your Young Living's business.

#### 1.5 *Policies and Compensation Plan Incorporated into the Distributor Agreement*

Throughout these Policies and Procedures, whenever the term "Agreement" is used, it refers collectively to the Distributor Agreement pursuant to which you become a Distributor, the Young Living Order Form, these Policies and Procedures, and the Compensation Plan. These documents are incorporated by reference into the Distributor Agreement (in their current form and as amended by Young Living from time to time). It is your responsibility to read, understand, adhere to, and ensure that you are operating under the most current version of these documents, as found online at [www.youngliving.com](http://www.youngliving.com).

#### 1.6 *Code of Ethics*

You are required to abide by the following Code of Ethics in the operation of your distributorship and your opportunity to participate in the Young Living's business. Violations of the Code of Ethics may result in termination of the Agreement.

#### *Code of Ethics*

- You will follow the highest standards of honesty and integrity in the development and operation of your distributorship.
- You will give prompt and efficient service to anyone to whom you have introduced Young Living's products.
- You will not make negative or disparaging remarks about Young Living, any Young Living's competitor(s) or their people, products, or organizations.
- You will not engage in activities that may cause losses to Young Living or another Distributor.
- You will perform all duties of a sponsor and a leader as you build your Young Living's business.
- You will respect the privacy of both your upline and downline Distributors and customers.
- You will abide by all rules, regulations, laws, and ordinances that are applicable to the operation of your distributorship as an independent distributor.

## SECTION 2: *General Policies*

### 2.1 *Types of Members*

Young Living's members include customers and Distributors. Customers are members who choose not to participate in the Young Living's distributor organization or the Compensation Plan, but who can purchase products directly from Young Living for personal consumption. Customers purchase products at the published customer/retail price. Customers' purchases apply toward their sponsor's OGV. Thus, orders placed by any customers of a Distributor will be included in the total sales volume for that Distributor's organization. A customer may become a Distributor at any time by completing and submitting the Distributor Agreement and meeting other requirements.

Distributors purchase product from Young Living at the published wholesale price and have the potential of earning commissions and bonuses based on qualification and achievement rank,

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as outlined in the Compensation Plan (See the Compensation Plan for more information about commissions and bonuses). To enroll as a Distributor you must execute and submit the Distributor Agreement to Young Living or agreeing to it on the Young Living's website [www.youngliving.com](http://www.youngliving.com).

### **2.2** *Same Household Distributorships and Duplicate Accounts*

You are prohibited from having a beneficial or financial interest in more than one distributor account. If Young Living finds that you have an interest in multiple distributor accounts, it may terminate your duplicate account(s), leaving only the account created first in time. You are specifically prohibited from creating duplicate accounts in an attempt to change lines of sponsorship, manipulate the Compensation Plan, or circumvent the Agreement in any way.

Subject to the following provisions in this Section 2.2, generally, two people residing together are not permitted to have separate distributor accounts or sponsor one another since they are assumed to be in a family unit (the "same household") and to have interest in each other's accounts. If this rule applies to you, you may petition for an exception to this rule by providing Young Living with evidence that you are independent from the other Distributors residing in the same household. The decision to grant an exception rests entirely with Young Living. Otherwise, when one person is already a Distributor, another non-participating person in the same household may only become a Distributor by becoming a co-applicant on the same distributor account as the first individual, and the distributorship will be treated as a joint tenancy with rights of survivorship.

If you marry another Distributor, you may do one of the following: combine your accounts and distributorships (if one has sponsored the other), sell one of your distributorships, terminate one of your distributorships, or maintain separate Young Living's distributorships. If you chose to maintain separate accounts and your account later goes inactive,

you will not be able to reactivate it if your spouse's account is still active.

Children of a Distributor reaching 18 years of age or older may become a separate Distributor, even if they reside in the same household as a parent who is a Distributor, as long as the child is the principal participant of the distributorship.

### **2.3** *Actions of Household Members or Affiliated Parties*

If any member of your same household engages in any activity which, if performed by you, would violate any provision of the Agreement, such activity will be deemed a violation by you and Young Living may take disciplinary action against you pursuant to these Policies and Procedures. Similarly, if any individual associated in any way with a corporation, partnership, limited liability company, trust or other entity (collectively "entity") violates the Agreement, such action(s) will be deemed a violation by the entity, and Young Living may take disciplinary action against the entity. Likewise, if a Distributor enrolls in Young Living as an entity, each affiliated party of the entity will be personally and individually bound to, and must comply with, the terms and conditions of the Agreement.

### **2.4** *Corporations, Partnerships, Limited Liability Companies, and Trusts*

A partnership, corporation, limited liability company, or trust may become a Distributor by submitting to Young Living a partnership agreement, trust agreement, certificate of incorporation, articles and memorandum of association and latest annual return of such limited liability company and other documents of such partnership, corporation, limited liability company or trust (whether filed with the Companies Registry in Hong Kong or not) indicating the names of all of the shareholders, directors, members, managers, partners, or trustees of the entity, as the case may be ("affiliated parties"). The entity must demonstrate that no part or participant within the entity has participation in another distributorship because no individual may participate in more than one distributorship in any form. A Distributor may change status under



the same sponsor from individual to partnership or corporation by submitting the appropriate documentation mentioned above.

Young Living reserves the right to approve or disapprove any Distributor's change of business names, formation of partnerships, and corporations, and trusts for tax, estate planning, and limited liability purposes. In addition, by submitting a copy of the certificate of incorporation or other substantiating documentation for the entity, it is certifying that no person with an interest in the new business entity has had an interest in another distributorship within 6 months of the submission of the certificate (unless it is the continuation of an existing distributorship that is changing its form of doing business).

## **2.5 Sale, Transfer, or Assignment**

You may sell, transfer, or assign (collectively "Transfer") your distributorship by submitting a request to Young Living along with HK\$275 as a processing fee. For your request to be granted, the following criteria must be met:

- You and the receiving party must notify Young Living in writing of your intent to Transfer your distributorship. This request must be duly signed by you and the receiving party.
- Young Living must approve the receiving party prior to the Transfer.
- The receiving party must be (or must become) a qualified Distributor.
- If the receiving party has an existing downline, he/she must first Transfer that distributorship, or have a Transfer in place and approved by Young Living before accepting the new distributorship. Alternatively, the receiving party may choose to cancel his/her existing distributorship and allow that downline to roll-up to his/her sponsor as provided in Section 2.7.
- No changes in your line of sponsorship or your downline can result from the Transfer.
- Before a Transfer will be approved, all debt obligations that you and the receiving party may have with Young Living must be satisfied.
- Before any Transfer will be approved, you and the receiving party must each be in compliance

with all the terms of the Agreement.

Young Living reserves the right to approve or disapprove your request to Transfer your distributorship for any reason. You may not Transfer your distributorship to any person or entity without Young Living's prior written approval.

Young Living shall not waive any violations of the Agreement even though such violation may have occurred by a previous owner of your distributorship. As a new owner of a pre-existing distributorship you shall be responsible for violations of the Agreement made by the previous owner in connection with your distributorship. Any action that may be taken on a distributorship with the previous owner under Section 12.3 will carry over to you.

### **2.5.1 Succession**

Upon death or incapacitation, your rights to commissions, bonuses, and your distributorship, together with all your responsibilities as a Distributor, will pass to your legal heir(s) or legal representative(s) (collectively "beneficiary"). In that instance, your beneficiary must present Young Living with proof of your death or incapacitation, along with appropriate legal documentation and a properly completed and signed Distributor Agreement. The beneficiary will then acquire the right to collect all commissions and bonuses of your distributorship provided that he/she meets all of the qualifications necessary for the Compensation Plan and this transfer is completed. If the beneficiary already has an existing distributorship, he/she will be given 90 days to transfer one of the organizations, following the procedure set forth in Section 2.5. Young Living reserves the right to approve or reject a succession transfer.

### **2.6 Separation of a Young Living Distributor Business**

You may, with others, operate a single distributorship as a husband-wife partnership, regular partnership, corporation, limited liability company or trust (the latter four entities are collectively referred to herein as "business entities" and each a "business entity"). If your marriage ends in divorce or your

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entity dissolves, arrangements must immediately 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 business upline or downline of sponsorship. If divorcing spouses or a dissolving business entity fail to provide for the best interests of other Distributors and Young Living, such actions will constitute a breach of the Agreement and Young Living may terminate the Agreement pursuant to these Policies and Procedures.

During the proceedings of a divorce or business entity dissolution, the divorcing spouses or a dissolving business entity must adopt one of the following methods of operation:

- One of the parties may, with consent of the other(s), operate the business pursuant to an assignment in writing whereby the relinquishing party(ies) authorize(s) Young Living to deal directly and solely with the other party(ies). A request duly signed by the person being removed is required. A new Distributor Agreement is required from the person remaining on the account.
- The parties may continue to operate the distributorship jointly on a “business-as-usual” basis, whereupon all compensation paid by Young Living will be paid in the joint names of the Distributors or in the name of the business entity to be divided as the parties may independently agree among themselves.
- The parties may operate the business pursuant to a court order involving such parties.
- If one of these requirements is not met, Young Living will maintain the status quo as to how commissions are paid.

Young Living will not divide your distributorship with a divorcing spouse or with affiliate parties of a dissolving business entity. Similarly, Young Living will not split your commission or bonus between you and a divorcing spouse or affiliate parties of a dissolving business entity. Young Living will recognize only one distributorship and will issue only one commission deposit per distributorship per commission cycle. Commission deposits will always be deposited to the same individual or business entity, unless all parties to a distributorship agree

that commissions will be due and paid to another party or by order of a court having jurisdiction over Young Living. If you have completely relinquished all of your rights as a former spouse or a former affiliate party to a distributorship, you are free to enroll as a new Distributor under any sponsor of your choosing. However, in such case you will have no rights to any Distributors or customers from your former distributorship. In that instance, you must develop the new business in the same manner as would any other new Distributor.

### 2.7 *Roll-Up of Marketing Organization*

When a vacancy occurs in any distributor organization of Young Living due to the termination of a distributorship, each Distributor in the first level immediately below the terminated Distributor on the date of the cancellation will be moved to the first level of the terminated Distributor’s sponsor, unless otherwise determined by Young Living at Young Living’s sole discretion. For example, if A sponsors B, and B sponsors C1, C2, and C3, if B terminates her business then C1, C2, and C3 will “roll-up” to A and become part of A’s first level. Young Living also reserves the right to sell the distributorship that has been canceled.

### 2.8 *Taxes*

You acknowledge that you are a self-employed person and not employed as an employee of Young Living. In Hong Kong, as a self-employed person, you are chargeable to profits tax on the earnings generated through your distributorship. You acknowledge that you are required to:

- keep sufficient business records for at least 7 years;
- prepare accounts based on your accounting records;
- complete and submit a tax return to the Inland Revenue Department every year for reporting business profits or losses;
- notify the Inland Revenue Department in writing about your liability to profits tax after the end of the basis period for the year of assessment concerned, unless you have already received the tax return from the Inland Revenue Department;

- notify the Inland Revenue Department about the cessation of your business within 1 month of cessation;
- notify the Inland Revenue Department about your change of address within 1 month of the change; and
- pay the profits tax.

If you have any questions concerning your tax obligations, you should consult your tax advisor.

## 2.9 *Distributor Claims and Representation*

### 2.9.1 *Product Claims*

You are prohibited from making inaccurate and impermissible claims about any of Young Living's products. In particular, you must not make any claim that Young Living's products are useful in the diagnosis, prevention, treatment, mitigation, or cure of any disease or disease condition. You must also avoid making any statements and claims that are false or misleading concerning Young Living's products. You must comply with all laws regarding any statements made including without limitation the Trade Description Ordinance (Chapter 362 of the laws of Hong Kong).

You must also not diagnose any disease or disease condition, or prescribe any Young Living product unless you are a licensed medical professional authorized to do so. Anyone improperly diagnosing or prescribing Young Living's products may jeopardize the future of Young Living and all of its Distributors and will entitle Young Living to terminate your distributorship.

### 2.9.2 *Income Claims*

You are prohibited from making false or misleading income projections to prospective Distributors. In their enthusiasm, some Distributors are occasionally tempted to represent hypothetical income figures based upon the inherent power of network marketing as actual income projections. This is counterproductive since new Distributors may be disappointed if their results are not as

extensive or as rapid as a hypothetical model would suggest. When presenting or discussing the Young Living opportunity or the Compensation Plan to a prospective Distributor, you should not make income projections, income claims, or disclose your Young Living's income (including the showing of commissions, copies of commissions, bank statements, or tax records).

### 2.9.3 *Compensation Plan Claims*

When presenting or discussing the Compensation Plan, you must make it clear to prospective Distributors that financial success with Young Living requires commitment, effort, and sales skill. Conversely, you must never represent that one can be successful without diligently applying themselves. Examples of misrepresentations in this area include:

- It's a turnkey system;
- The system will do the work for you;
- Just get in and your downline will build through spillover;
- Just join and I will build your downline for you;
- The company does all the work for you;
- You don't have to sell anything; or
- All you have to do is buy your products every month.

The above are just examples of improper representations about the Compensation Plan. It is important that you do not make these or any other representations that could lead a prospective Distributor to believe that he or she can be successful as a Distributor without commitment, effort, and sales skill.

## 2.10 *Restrictions/Unauthorized Practices*

### 2.10.1 *Unauthorized Recruiting*

You may engage in other non-competing business ventures. However, you may not take advantage of your knowledge of, or association with, other Distributors, including your knowledge resulting from or relating to your upline and downline, which

you agree are confidential information, in order to promote and expand such other business ventures. Such conduct constitutes an unwarranted and unreasonable interference with the business of other Distributors and Young Living and will entitle Young Living to terminate the Agreement.

### 2.10.2 *Restrictive Covenants*

You hereby undertake and covenant with Young Living that except with the consent in writing of Young Living:

- During the term of the Agreement and the 6 months period from the date of termination of the Agreement for whatever reasons, you shall not, and shall procure your Associate not to, in Hong Kong, either alone or jointly with or as manager, agent, consultant or employee of any person, firm or company, directly or indirectly, carry on or be engaged in or be interested in any activity or business which shall be in competition with the Business.
- During the term of the Agreement and the 6 months period from the date of termination of the Agreement for whatever reasons, you shall not, and shall procure your Associates not to, in Hong Kong, either alone or jointly with or as manager, agent, consultant or employee of any person, firm or company, directly or indirectly, entice away any of the Distributors or customers within your distributorship for the purpose of procuring or engaging such Distributor or customer for other businesses which are in competition with the Business.
- During the term of this Agreement and the 6 months period from the date of termination of this Agreement for whatever reasons, you shall not, and shall procure your Associates not to, in Hong Kong, either alone or jointly with or as manager, agent, consultant or employee of any person, firm or company, directly or indirectly, entice away any officers, consultants, employees of the Young Living Group.
- During the term of this Agreement and after the termination of this Agreement for whatever reasons, you shall not, and shall procure your Associates not to, either alone or in conjunction with or on behalf of any other person use any materials, trade or business name or distinctive

mark or style or logo the same as or similar to those used by the Young Living Group or in the Business or anything intended or likely to be confused with those of the Young Living Group and/or the Business.

- You also agree not to solicit, directly or indirectly, other Distributors that you did not personally sponsor in order to sell, offer to sell, or promote other products, services, or business opportunities, investments, securities, or loans not offered or marketed by Young Living.
- You further agree not to sell, offer to sell, or promote the products or services of another direct selling company that has a product line comprising more than 50% essential oil products during the term of the Agreement and for a period of 6 months from the date of termination of the Agreement.
- If, during the term of the Agreement, you engage in a non-Young Living direct selling program (the "Non-Young Living Program"), you agree that it is your responsibility to ensure that you operate your sales organization separately and apart from such non-Young Living Program. To that end, except with the consent in writing of Young Living, you understand that you are prohibited from:
  - displaying Young Living's promotional materials, sales aids, products or services at the same location as such Non-Young Living Program's promotional materials, sales aids, products or services;
  - offering Young Living's products or services to the prospective or existing customers or Distributors in conjunction with such Non-Young Living Program's products or services; and
  - offering any Non-Young Living Program's products or services at any Young Living's meeting, seminar, convention, webinar, teleconference, or other function.

Each and every obligation under this Section 2.10.2 shall be treated as a separate obligation and shall be severally enforceable as such and in the event of any obligation or obligations being or becoming unenforceable in whole or in part such part or parts as are unenforceable shall be deleted from this Section 2.10.2 and any such deletion shall not affect

the enforceability of all such parts of this Section 2.10.2 as remain not so deleted.

While the restrictions contained in this Section 2.10.2 are considered by you to be reasonable in all the circumstances, it is recognised that restrictions of the nature in question may fail for technical reasons unforeseen, and accordingly, it is hereby agreed and declared that if any of such restrictions shall be adjudged to be void as going beyond what is reasonable in all the circumstances for the protection of the interests of the Business or the Young Living Group but would be valid if part of the wording thereof were deleted or the periods thereof reduced or the range of activities or area dealt with thereby reduced in scope, the said restriction shall apply with such modifications as may be necessary to make it valid and effective.

### **2.10.3 Targeting Other Direct Sellers**

Young Living does not condone Distributors specifically or consciously targeting the sales force of another direct sales company to sell Young Living's products or to become Distributors. Nor does Young Living condone the solicitation or enticement of members of the sales force of another direct sales company to violate the terms of their contract with such other company. Should you engage in such activity, you bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration or mediation is brought against you alleging that you have engaged in inappropriate recruiting activity of its sales force or customers, Young Living will not pay any of your defense costs or legal fees, nor will Young Living indemnify you for any judgment, award, or settlement.

### **2.10.4 Cross-Line Recruiting**

Actual or attempted cross-line recruiting is strictly prohibited. "Cross-line recruiting" refers to sponsoring or attempted sponsoring of an individual or entity that already has a current Agreement on file with Young Living within a different line of sponsorship or with a different sponsor. The use of a spouse's name, trade names, corporations, trusts, Hong Kong identity card/passport numbers, or fictitious Hong Kong identity card/passport numbers

to circumvent this policy is prohibited.

You may not demean, discredit, or defame another Distributor - especially in an attempt to entice another Distributor to become part of your sales organization. Young Living shall have the right to terminate your distributorship for failure to comply with this policy.

### **2.10.5 Bonus Buying and Stacking**

Bonus buying and stacking are material breaches of these Policies and Procedures and are strictly and absolutely prohibited, and Young Living shall have the right to terminate your distributorship for committing any of such breaches.

"Bonus buying" includes (a) the enrollment of individuals or entities without their knowledge of or execution of an Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Distributor or customer; (c) the enrollment or attempted enrollment of non-existent individual or entity as a Distributor or customer (phantom); or (d) the use of a credit card by or on behalf of a Distributor or customer when the Distributor or customer is not the account holder of such credit card without written authorization.

The term "stacking" includes, without limitation: (a) the failure to transmit to Young Living, or the holding of a Distributor Agreement in excess of two (2) business days after its execution; (b) the placement or manipulation of Distributor Agreements for the purpose of maximizing compensation pursuant to the Compensation Plan; (c) providing financial assistance to Distributors for the purpose of maximizing compensation pursuant to the Compensation Plan; (d) buying products or drop shipping through another's account to increase the payout of your distributorship; or (e) having a beneficial interest in more than one distributorship.

### **2.10.6 Governmental Approval or Endorsement**

You may not represent or imply that Young Living or the Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

### 2.11 *Downline Genealogy Reports*

Young Living’s genealogy reports and downline activity reports (collectively “Reports”) are confidential and contain proprietary business trade secrets. You may not use the Reports for any purpose other than for developing and supporting your sales organization.

Without limiting the generality of the foregoing, during any term of the Agreement and following the termination or expiration of the Agreement between you and Young Living for any reason whatsoever, you may not, on your own behalf or on behalf of any other person, or entity:

- disclose any information contained in the Reports to any third party;
- use any information contained in the Reports to compete with Young Living; or
- use any information contained in the Reports to recruit or solicit any Distributor or customer listed on the Reports to participate in other multi-level or direct marketing ventures.

Upon demand by Young Living, you will forthwith return the original and all copies of the Reports (including electronic files) to Young Living. Otherwise, you must immediately destroy such Reports upon the termination or cancellation of the Agreement. This provision will survive the termination or cancellation of the Agreement.

### 2.12 *Commercial Outlets*

You may display Young Living’s products in commercial outlets only where professional services are the primary source of revenue and product sales are secondary, such as approved service-oriented establishments, including, but not limited to, health spas, beauty shops, and physicians’ and chiropractors’ offices.

### 2.13 *Trade Shows and Expositions*

Subject to the requirements below, you may display and sell Young Living’s products at trade shows and expositions. All literature displayed at the event must be official Young Living’s literature and must

clearly identify yourself as a Distributor.

### 2.14 *International*

Compliance with foreign laws regarding intellectual property, customs, taxation, literature content, and other direct selling guidelines is critical to successful international expansion of Young Living into new markets. Consequently, you are authorized to market and sell Young Living’s products and services and to recruit and sponsor other distributors only in countries in which Young Living is authorized to conduct business, as listed in official Young Living literature. Because unauthorized pre-market opening activity may jeopardize Young Living’s ability to enter a new market, those who engage in unauthorized pre-market opening activity will be subject to disciplinary measures, possibly leading to termination. You are prohibited from registering product, trade names, trademarks, patents, web domains, or IP addresses in any country for or on behalf of Young Living.

You agree to indemnify Young Living for any such activity of yours that damages Young Living including, but not limited to, loss of profit, loss of goodwill, any damages, and reasonable attorneys’ fees.

If you want to sponsor Distributors in a country officially recognized as open, you must:

- be in good standing in the country of residence;
- read and understand the Young Living’s policies and procedures in place for that country;
- agree to follow all of Young Living’s policies and procedures for that country;
- agree to follow any and all applicable laws of that country; and
- agree to any tax withholdings that may be required for that country (if applicable).

You may not import or sell product into any country that is not legally importable or saleable. You agree to follow all laws in any country into which you sponsor Distributors, including, but not limited to, all direct selling laws, all solicitation laws, all advertising laws, all claims laws, all tax laws, and any other laws that apply to operating a distributorship in a foreign country.

**2.14.1 *NFR***

In some countries, customers may purchase Young Living's products on a not-for-resale (NFR) basis as customers. If you purchase NFR products, you may not resale them.

**2.15 *Repackaging and Relabeling***

You may not re-label, alter the labels of, repackage, or refill any Young Living's products. Young Living's products must be sold in their original containers only. You may not use Young Living's products as ingredients in any product for resale. Such relabeling or repackaging may violate applicable laws, which could result in severe criminal penalties. In the event this rule is violated, you agree to indemnify Young Living against any harm resulting from the repackaging or relabeling of any of its products.

**2.16 *Confidentiality***

During the term of the Agreement, Young Living may supply you with confidential information. This includes, but not limited to, genealogical and organization reports, customer lists, customer information developed by Young Living or developed for and on behalf of Young Living by Distributors (including, but not limited to, customer and Distributor profiles, and product purchase information), Distributor lists, manufacturer and supplier information, business reports, commission or sales reports, marketing strategies and plans, and other financial and business information that would be reasonably understood to be confidential.

All confidential information (whether in written, oral, or electronic form) is transmitted to you in strictest confidence on a need-to-know basis for use solely in your sales organization. You must use your best efforts to keep such information confidential, and must not disclose any such information to a third party directly or indirectly. You must not use the information to compete with Young Living or for any purpose other than for promoting Young Living's program and its products and services. Young Living may require a signed non-disclosure agreement before releasing genealogical or organizational information to you. Upon expiration, non-renewal,

or termination of the Agreement, you must discontinue the use of such confidential information and destroy or promptly return to Young Living any confidential information in their possession.

To the extent that any of the confidential information contains data relating to an identifiable individual ("personal data"), you acknowledge that you are required to comply with the relevant provisions under the PDPO in connection with, inter alia, the collection, processing, use and retention of the personal data.

This confidentiality obligation is irrevocable, survives the termination of the Agreement, and is subject to legal enforcement by injunction and award of all costs and fees as necessary.

**2.17 *Reporting Policy Violations***

You should report any violations of these Policies and Procedures by any Distributor to Young Living.

**2.18 *Personal Data***

You acknowledge and consent that Young Living can collect, use, transfer and retain (i) your personal data provided to Young Living from time to time under the Agreement; and (ii) any other personal data (including your personal data and other third parties' personal data) that you will develop as a result of your activities as a Distributor in accordance with the requirements in the PDPO and the Privacy Policy Statement.

In relation to the personal data of other third parties provided by you to Young Living, you warrant that those third parties have consented to the transfer of their personal data to Young Living and the collection, use, transfer or retention of their personal data by Young Living for the purposes set out in the Privacy Policy Statement.

Without limiting the generality of the foregoing, you consent to the use of your personal data for direct marketing as defined in the PDPO, including without limitation the marketing of Young Living's products or services, and the making of promotions or special offers.

### 2.19 *Indemnification*

You are fully responsible for all verbal and written statements you make regarding Young Living's products, services, and the Compensation Plan that are not expressly contained in official Young Living's materials. You agree to indemnify Young Living and Young Living's directors, officers, members, shareholders, managers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorneys' fees, court costs, or lost business incurred by Young Living from any liability arising from, or related to your actions in the promotion and operation of your distributorship. This provision will survive the termination of the Agreement.

## SECTION 3: *Sponsor's Responsibilities*

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### 3.1 *Sponsoring*

As long as you are adhering to the Policies and Procedures, you have the right to sponsor other Distributors. Each prospective Distributor has the ultimate right to choose his/her own sponsor. If two Distributors claim to be the sponsor of the same new Distributor or customer, Young Living will regard the first application received by Young Living as binding.

When sponsoring a new Distributor, you must provide the most current version of these Policies and Procedures and the Compensation Plan to the prospective Distributor before he/she signs a Distributor Agreement, or ensure that such person has online access to these materials.

### 3.2 *Sponsoring Online*

When sponsoring a new Distributor through the online enrollment process, you may assist the new applicant in filling out the enrollment materials. However, the applicant must personally review and agree to the online Distributor Agreement, these Policies and Procedures and the Compensation Plan. You may not fill out the online application and the Agreement for the new application.

### 3.3 *Ongoing Supervision, Training, and Sales*

As a sponsor, you are expected to train, supervise, and communicate with your downline through letters, newsletters, meetings, telephone contacts, voice mail, email, trainings, and by accompanying enrollees to Young Living's training meetings. If you feel you are not getting the necessary level of support from your sponsor, you are encouraged to consult with your next upline leader, or call Young Living. As a sponsor, you also agree to make your contact information (telephone number/email address) available to those for whom you are a first line leader (i.e. first line Gold/Platinum/Diamond).

You should monitor the Distributors in your downline to ensure that they do not make improper product or business claims or engage in any illegal or inappropriate conduct that violates the Agreement.

As you progress through the various levels of leadership, you will become more experienced in sales techniques, product knowledge, and understanding of the Young Living program. In that event, you may be called upon to share this knowledge with lesser experienced Distributors within your downline.

Regardless of your level of achievement, you have an ongoing obligation to continue to personally promote sales through the generation of new customers and through servicing your existing customers.

### 3.4 *Non-Disparagement*

In setting the proper example for your downline, you must not disparage, slander, or defame other Distributors, Young Living's products, the Compensation Plan, or Young Living's employees. Such disparagement constitutes a material breach of these Policies and Procedures and will entitle Young Living to terminate your distributorship.

## SECTION 4: *Advertising*

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You must not make false or fraudulent claims about Young Living's products, the Compensation



Plan, or its income potential. You may use your own materials as long as they legally comply with all applicable laws, the rules in this Section, and are marked as originating from a Young Living independent distributor.

#### 4.1 *Use of Young Living’s Materials*

To prevent inadvertent errors or illegal claims, you should strive to use the current Young Living’s literature for advertising and describing Young Living’s products or programs. The materials must be used in context so as not to be misleading.

All Young Living’s materials—whether printed, on video or DVD, produced by sound recording, or any other electronic format—are copyrighted and may only be reproduced in whole or in part when authorized by Young Living. Without prejudice to any of the rights of Young Living, any Distributor found copying audio, video, or written materials produced by Young Living without written approval may be subject to disciplinary action.

There is no recording permitted during any Young Living convention or meeting. Any Distributor found recording the Young Living convention or any other Young Living meeting will be removed and subject to disciplinary action, and the recording will be confiscated. Additionally, production or distribution of a Distributor’s notes from any Young Living event is prohibited.

#### 4.2 *Trademarks and Copyrights*

The name of Young Living, Young Living Essential Oils, Young Living Lavender Farms, or any other names that may be adopted by Young Living, such as trade names, trademarks, logos, slogans of Young Living, and the web address or URL (or any names that are confusingly similar) are proprietary to the Young Living Group and of great value. You must obtain written permission from Young Living before using any logo (other than the Independent Distributor logo) or trademark of the Young Living Group.

#### 4.3 *Media Inquiries*

You may not attempt to respond to media inquiries

regarding Young Living, its products or services, or your sales organization. All inquiries by any type of media must be immediately referred to Young Living. This will ensure that accurate and consistent information reaches the general public.

#### 4.4 *Distributor–Developed Advertising Materials*

Young Living encourages you to promote its products through use of literature produced by the Young Living Group which is copyrighted and should not be reproduced without written permission of Young Living. Advertising through any medium, such as television, radio, mail, newsletters, faxes, or the internet must be done in accordance with all applicable laws.

Should a Distributor decide to produce or use materials other than materials from the Young Living Group, such Distributor must clearly identify that the material is from an “Independent Distributor” and not the Young Living Group, and should not use logos and trademarks of the Young Living Group without Young Living’s written authorization.

Any use of advertising material not produced by the Young Living Group must be compliant with all applicable laws and these Policies and Procedures—particularly Sections 2.9.1, 2.9.2 and 2.9.3 (regarding product, income and Compensation Plan claims). Such material must be produced in a professional and tasteful manner. Material must not be used that reflects poorly upon the Young Living Group. Violations may subject a Distributor to disciplinary actions as outlined in Section 12.3.

#### 4.5 *Domain Names and Email Addresses*

You may not use, register, or own any internet domain name either in Hong Kong or abroad that includes any of trade names, trademarks, service names, service marks, product names, company names of the Young Living Group, or any derivative thereof. Nor may you incorporate or attempt to incorporate any of the trade names, trademarks, service names, service marks, product names, the company names of the Young Living Group, or any derivative thereof into any email address. In

accordance with this policy, all existing Distributor-owned domain names that violate this provision will be expected to be brought into conformance within three months of notification of a violation by Young Living. In limited circumstances, an infringing domain name or email address registration may be allowed to exist upon the signing of an annual trademark license agreement with Young Living, which will also carry a license fee. Such license agreements may be offered, withdrawn, or modified by Young Living at its own discretion at any time, and those Distributors with non-conforming domain name registrations who do not make such an agreement with Young Living will be expected to transfer those registrations to Young Living within the three month time period noted above.

#### **4.6 Internet Policy**

All Distributors may use the internet to further their businesses using websites, splash pages, and social media (collectively “Distributor Sites”). Distributor Sites used to promote Young Living, Young Living’s products, or Young Living’s events must display a current Young Living Independent Distributor logo in a prominent location. Young Living Independent Distributor logos are provided by Young Living, and include the phrase “Independent Distributor”. Use of logos that do not include the phrase “Independent Distributor” is strictly prohibited. Distributor Sites must further include the Distributor’s member number.

Distributor Sites may include current product descriptions, photographs, videos, and other media, made available to Distributors by Young Living. These sites may not (a) use Young Living’s trade dress; (b) make any improper product, income, or compensation plan claims, as outlined in Section 2.9.1, 2.9.2, and 2.9.3; (c) promote the products or business of any other company; or (d) contain false or misleading information. Distributors are responsible to ensure that all users of their Distributor Sites comply with these requirements.

Distributor Sites may, at Young Living’s sole discretion, be monitored by Young Living. Failure to monitor Distributor Sites for any period of time

does not waive Young Living’s rights to enforce the provisions of this Section.

When using social media, Distributors may not use as their username, account name, or other identifier (collectively “Username”) any of trade names of the Young Living Group or company names or any other name that may be confused with any member of the Young Living Group or suggest the sponsorship by the Young Living Group. Usernames may, however, include the name Young Living only if they also include “Independent Distributor”, “Indep. Distributor”, or a similar identifier.

#### **4.7 Online Classifieds, Online Auction Sites (e.g. eBay), and Online Retailing**

You may use online classified ad websites (e.g. Craigslist), third party online retail stores, ecommerce websites, and online auction websites (e.g. eBay) to advertise and promote the sale of Young Living’s products provided that you strictly comply with all advertising and claims provisions set forth in these Policies and Procedures and you do not advertise the prices at less than the current wholesale pricing. Such websites may also be used for prospecting, recruiting and informing the public of the Young Living’s opportunity, provided no income or compensation plan claims are made.

#### **4.8 Telephone and Email Solicitation**

You may not use Young Living’s name or copyrighted materials with automatic calling devices or “boiler room” operations to solicit potential members. In addition, any email messages distributed to solicit for your business must conform to the PDPO.

You may not engage in telemarketing to promote Young Living’s products or the Young Living’s opportunity or to solicit potential members. For the purposes of this Section, telemarketing refers to placing of one or more outbound telephone calls to an individual without that individual’s express prior permission or invitation to call. If you violate this policy, you agree that you will indemnify Young Living and Young Living’s directors, officers, members, shareholders, managers, employees, and agents, and

hold them harmless from any and all liability including judgments, civil penalties, refunds, attorneys' fees, court costs, or lost business incurred by Young Living as a result of your telemarketing activities.

## 4.9 *Testimonials and Meetings*

### 4.9.1 *Testimonials*

You must take every precaution to ensure that any testimonials you use are legal.

Testimonials must be factual and comply with Sections 2.9.1, 2.9.2 and 2.9.3, as applicable.

- Testimonials must not claim that Young Living's products can treat, cure, prevent, or mitigate any disease. This includes expressed and implied claims. Testimonials must avoid all references to any disease.
- Any testimonial must comply with all applicable laws.

### 4.9.2 *Meetings*

At meetings, people may give testimonials that comply with the above requirements about how Young Living's supplements have helped them. If a person makes a "disease claim" at a Young Living-sponsored meeting, the claim may be imputed to Young Living, thereby subjecting Young Living and the person to adverse legal action.

If you are the meeting leader:

- You should not arrange for a disease-cure, disease-prevention, or disease-treatment testimonial.
- Neither you nor any other Distributor at your meeting should personally give a disease-cure, disease-prevention, or disease-treatment testimonial.
- If there is an impromptu disease-cure, disease-prevention, or disease-treatment testimonial from someone, redirect the discussion by saying, "Our supplements are designed to improve nutrition; they are not intended to diagnose, treat, cure, or prevent any disease. However, scientific research has established a connection between nutrition and many disease conditions."

Third-party scientific literature that is compliant with the laws of Hong Kong may be distributed at a meeting in Hong Kong but must be placed separate and apart from promotional material.

At Young Living-sponsored meetings, only Young Living's products may be displayed for purchase. Third party products should not be made available for purchase.

### 4.10 *Photographs of Distributors*

By becoming a Distributor, you consent to having your image captured in photographs or video at various Young Living-sponsored events by Young Living's staff, and to have those images used by Young Living as they see fit in advertising and marketing materials. You will not be compensated for this usage. If you have a religious or moral objection to having your picture taken or appearing in a video, please notify Young Living's staff at the event where photographs and video are being taken. The provisions of this Section will permanently survive the termination of the Agreement.

## SECTION 5: *Sales Requirements*

### 5.1 *Product Sales and Sales Receipts*

The Compensation Plan is based upon the sale of Young Living's products and services to end consumers. You must fulfill specified personal and downline sales requirements (as well as meeting other responsibilities set forth in these Policies and Procedures) in order to be eligible for bonuses, commissions, and advancement to higher levels of achievement under the Compensation Plan. The following sales requirements must be satisfied in order for you to be eligible for commissions:

- A minimum of 70% of your orders must be sold to customers or other end users. The sales volume of your personally enrolled customers will be included with the sales determining compliance with the 70% requirement. You may not purchase additional product until at least 70% of the previous order has been sold to end consumers.

- You are required to furnish your customers with a copy of an official Young Living sales receipt, which specifies the date of sale, the amount of sale, and the items purchased. If you sell product inventory to other Distributors, you must provide the purchaser with a sales receipt. You should maintain copies of all sales receipts for a period of two years and furnish them to Young Living upon request. Young Living will maintain records documenting the purchases of Distributor's customers and direct purchase customers.
- You agree not to stock excessive inventory and to abide by the 70% rule, which is that 70% of your inventory intended for sale has been sold prior to ordering more. By ordering product from Young Living, you certify that you have sold 70% of all prior orders. You also agree not to purchase inventory for the sole purpose of qualifying for payments under the Compensation Plan.

### 5.2 *Nonmembers*

You may personally sell Young Living's products to nonmembers at any price you choose when selling in person. Online sales however are governed by Section 4.7.

### 5.3 *Customers and Sales Requirements*

Nonmember and customer orders satisfy customer sales requirements.

### 5.4 *Excessive Purchases of Inventory Prohibited*

Young Living strictly prohibits the purchase of products in unreasonable amounts solely for the purpose of qualifying for commissions, bonuses, or advancement in the Compensation Plan. You may not purchase more than you can reasonably resell or consume in any month, nor encourage others to do so.

## SECTION 6: *Commissions and Bonuses*

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### 6.1 *Commissions and Bonuses*

To qualify for commission compensation under the Compensation Plan you must be active, in compliance with the Agreement, and have no holds

on your distributor account. Commissions will be paid out in accordance with the Compensation Plan, the current version of which is available through the website of [www.youngliving.com](http://www.youngliving.com). As long as you comply with the terms of the Agreement, Young Living will collect commissions on your behalf and pay such commissions to you on approximately the 20th of each month for the prior month's sales by depositing such commissions to the bank account in Hong Kong specified by the Distributor. Commission amounts for a single month under HK\$200 will not be deposited to the such bank account but will be retained on account from month to month until the HK\$200 threshold is reached. Prior to the HK\$200 threshold being reached, the commission amount will be kept as a credit on account and will be available for product purchases. Contact Young Living for more information.

### 6.2 *Recap Statements*

You may access detailed commission reports at [www.youngliving.com](http://www.youngliving.com). If you do not have internet access, you may request that the report be faxed or mailed to you for a fee prescribed by Young Living from time to time at its sole discretion.

### 6.3 *Adjustments*

You agree that adjustments will be made to your commissions for any processing fees, unpaid balances, or debts owed for other services. When a product is returned to Young Living for a refund or is repurchased by Young Living, the bonuses and commissions attributable to the returned or repurchased product(s) will be deducted from any future commission which will be paid by way of direct deposit, including that of the upline. Any other debt may also be offset against future commission.

### 6.4 *Deductions/Maintenance Fees*

A monthly maintenance fee is assessed each month and is used to cover accounting, processing, account maintenance, and other costs. The fee may or may not be tax deductible, so consult your personal tax advisor for details. The fee schedule is as follows:

Monthly Commissions	Fee	
HK\$200-\$399		HK\$8
HK\$400-\$799		HK\$16
HK\$800-\$3,799		HK\$24
HK\$3,800-\$7,799		HK\$32
HK\$7,800 and above		HK\$40

### 6.5 *Errors or Questions*

Review your commission and bonus recap statements and report any errors or discrepancies to Young Living within 45 days from the date of the direct deposit of the commission. Errors or discrepancies which are not brought to Young Living’s attention within 45 days will be deemed waived.

## SECTION 7: *Product Returns*

### 7.1 *Return Policy*

Young Living reserves the right to review each return or exchange on a case-by-case basis. Returns will cause promotions, credits, commissions, and bonuses to be adjusted or reversed, both for the person making the return and for any upline Distributors who received compensation on such purchases.

#### 7.1.1 *Return Guidelines*

If you are dissatisfied with any Young Living’s product you may return:

- Any unopened product within 30 days after shipment for a full refund in the same method of payment of the purchase price (less shipping charges).
- Any opened product within 30 days after shipment for a credit on your Young Living account of the purchase price (less shipping charges).
- Any opened or unopened product up to 90 days after shipment for credit of the purchase price (less shipping charges and a 10% handling fee).

Customers returning products to Distributors will follow the same return policy and the Distributor is responsible for returning the product to Young

Living within 10 days of receiving the return. Excessive returns may be deemed an abuse of Young Living’s return policy and may result in suspension of your return privileges and/or distributorship. Damaged or incorrect shipments of products will not be subject to fees.

#### 7.1.2 *Returns of Inventory by Distributors*

If you choose to terminate the Agreement, you may return any product inventory or sales aids purchased in the preceding 12 months for a refund if you are unable to sell or use the merchandise. You may return only products and sales aids that are in resalable condition, unless otherwise required by law. Resalable condition is defined as the same unopened condition as it was purchased new. You must return the products to Young Living, prepay the shipping charges, and include a letter explaining that you wish to terminate the Agreement and receive a refund. Upon receipt of the products, you will be reimbursed 90% of the net cost of original purchase price, less shipping charges. Young Living will deduct from the reimbursement any commissions, bonuses, or other incentives received by you as a result of the product you are returning. If your account is terminated, you have 90 days from the date of termination to make arrangements with Young Living regarding the repurchase of all returnable products. You acknowledge that you will be unable to return products more than 90 days from the date of termination.

#### 7.1.3 *Product Kits*

Any product kit returned to Young Living must be complete; otherwise the kit will not be eligible for an exchange or refund. No individual items from a kit will be eligible for a refund.

#### 7.1.4 *Return of Promotional Product(s)*

For any complimentary item(s) received by the purchaser via a qualifying purchase or through the buy-one-get-one-free (BOGO) promotion, returns will be handled as follows:

- If a qualifying purchase is returned in whole or in part and negates the qualification to receive the complimentary item, the promoted

product(s) must also be returned or the member will be charged for the free product(s).

- If one of the BOGO products is returned, Young Living will not credit the member, as Young Living will assume the returned item(s) is the promoted product(s). If both products of the BOGO are returned, Young Living will credit the member for the product purchased.

## 7.2 *Procedures for Returns*

The following procedures apply to all returns for refund, repurchase, or exchange:

- The customer or Distributor who purchased it directly from Young Living must return all products.
- All product(s) must be returned in its original container.
- The return must have a Return Merchandise Authorization number that may be obtained by calling Young Living. The Return Merchandise Authorization number must be written on the outside of each package, or the shipment will be returned to sender.
- All returns must be shipped pre-paid to Young Living. Young Living shall not accept COD packages.
- If returned product is not received by Young Living's distribution center, it is the responsibility of the member to trace the shipment. Young Living is not liable for items lost or damaged in transit.
- Volume for exchanges will be counted in the month the exchange transaction was made.
- No refund or exchange will be made for subsequent returns of the same product, except when the product is damaged or defective.

Credits will be issued when Young Living has processed the return.

## SECTION 8: *Ordering*

### 8.1 *Ordering Methods*

All members may place orders by telephone, mail, website, or through the autoship program.

#### 8.1.1 *Phone*

When ordering by phone, you shall be prepared to present all information requested on the Young Living Order Form. Live operators are available Monday through Friday from 10a.m. to 7p.m. and Saturday from 10a.m. to 2:30p.m. Hong Kong Time. Payments can be made by bank drafts of any licenced banks in Hong Kong or credit card.

#### 8.1.2 *Mail*

When ordering by mail, you shall send completed Young Living Order Form with payment to:

Young Living [Hong Kong Limited]  
Attn: Order Entry  
Room 1702, 17/F, East Exchange Tower  
38 Leighton Road, Causeway Bay, Hong Kong

Payments may be made by bank drafts of any licenced banks in Hong Kong or credit card.  
PLEASE DO NOT SEND CASH.

#### 8.1.3 *Young Living Website*

The Young Living's website makes ordering and accessing information online quick and easy. Available 24 hours a day, 7 days a week, the website allows you to place online orders. You will need your member number and password (which should be kept confidential) to establish a login and security code (four-digit PIN) at [www.youngliving.com](http://www.youngliving.com). You must keep your PIN secure and only order on your own account.

### 8.2 *Essential Rewards Autoship Program*

The backbone to any successful networking company is a strong autoship program. The Essential Rewards Autoship Program promotes consistent ordering and provides valuable incentives to Distributors. An Essential Rewards autoship order shall be a standard purchase of Young Living's product that is used consistently every month. The credit card or bank account from which you authorize payment will be automatically charged the amount of the order and applicable shipping charges. Because the Essential Rewards

Autoship Program is an incentive-driven program designed to help regulate and stimulate sales, it is subject to change at any time at Young Living's sole discretion. Members of the Essential Rewards Autoship Program ("Essential Rewards members") are eligible for members-only specials, educational opportunities, and training materials.

### 8.2.1 *Essential Rewards Credits*

Credits may be earned on each Essential Rewards order placed and such credits so earned may be redeemed for free products. Credits are earned with each consecutive month of participation at the following levels:

Orders of 50-99 PV will receive automatic first-priority shipping at a discounted rate, as well as a flat 5 percent earning of rewards points based on the PV total of the order.

Orders of 100+ PV will receive automatic first-priority shipping at a discounted rate as well as rewards points based on the number of consecutive months of participation:

- First six consecutive months of participation: 10% of order PV
- Second six consecutive months of participation: 15% of order PV
- Thirteenth month and beyond: 20% of order PV

A grace month may be declared if a Distributor misses placing an order for the month or an order falls below 100 PV minimum. In the month following a grace month distributors can begin accumulating points at the same rate as before if they once again place Essential Reward orders with a minimum of 100 PV.

Credits are redeemable after two consecutive months of participation and are valid towards full PV products only. Credits are generally equal to HK\$8 and may not be used towards shipping charges.

Credits may only be redeemed in an amount equal to or less than the credits earned. While there is no limit to the number of credits that can be earned on a monthly basis, a maximum of 350 credits may be redeemed per month. Products purchased with

Essential Rewards credits are not eligible for PV or OGV for the purpose of the Compensation Plan. Credits may be redeemed by contacting Young Living at [www.youngliving.com](http://www.youngliving.com).

### 8.2.2 *Shipping Discounts*

Essential Rewards members get reduced shipping rates. Current Essential Rewards order shipping prices are maintained on. Shipping rates and discounts are subject to change without notice at Young Living's sole discretion.

### 8.2.3 *Enrollment*

You can enroll in the Essential Rewards Autoship Program via the online sign-up in, or by contacting Young Living.

### 8.2.4 *Terms and Conditions of the Essential Rewards Autoship Program*

By participating in Essential Rewards Autoship Program, you agree to place a continuing order to be shipped on a monthly basis. The order will be charged to your payment method of choice on a recurring, monthly basis. You also agree to the following:

- To select a minimum of 50 PV in Young Living's products that will be sent to you each month.
- To provide a valid form of payment, such as a Visa, MasterCard or American Express number (along with the card's expiration date), or the required information to set up a direct debiting arrangement on your Hong Kong bank account on the date identified.
- To authorize Young Living to debit your selected payment method to cover your Essential Rewards order, including the ordered products, shipping and handling charges.
- The products that you select will be sent to you at the address listed every month as you have indicated unless you make changes to your product selection via Virtual Office.
- Specific products you have chosen to receive may become unavailable. In such situations, Young Living will attempt to notify you of the change and will continue to send you the remaining items. You are responsible for

maintaining your qualifying PV.

- The price of the specific products you have chosen may change due to reformulations, improvements, or other reasons at Young Living's sole discretion. When such price changes occur, Young Living will notify you of any pricing changes and, unless directed otherwise, will continue to send you the products specified at the new price.
- Your participation in the Essential Rewards Autoship Program will be cancelled without notice if:
  - » The credit card to which product purchases have been charged expires, is declined, is cancelled, or is otherwise terminated; or
  - » Payment via direct debiting arrangement from your Hong Kong bank account is returned unpaid.
- You must contact Young Living to cancel your enrolment in Essential Rewards Autoship Program. If you do not notify Young Living, your Essential Rewards order will continue to be shipped and your payment method charged.
- Essential Rewards credits will expire on a rolling 12-month basis.
- Cancellation or return of any Essential Rewards order forfeits all unused Essential Rewards credits and resets the monthly participation in the program to zero.
- Products returned because of a failure to update your Essential Rewards order will be charged a 25% restocking fee.

### 8.3 *General Ordering Policies*

Any order placed by you with Young Living through any of the ordering methods under Section 8.1 shall be irrevocable and cannot be withdrawn upon receipt by Young Living and Young Living reserves the right to accept or reject your order at its sole discretion.

Without limiting the right of Young Living to reject your order as aforesaid, the following policies shall apply:

- On mail orders with invalid or incorrect payment types, or anything else that may prevent Young Living from processing the

order, Young Living will attempt to contact you by phone or email to correct the order. Young Living will make two attempts to correct the order. If these attempts are unsuccessful after five business days, the order will be cancelled.

- For orders to be counted in a given month, they must be received and accepted on or before the last day of the month. Changes made to pending orders that have not yet shipped will keep the original date the order was entered. This may affect commission qualification.
- If an item ordered is out of stock or discontinued, Young Living will attempt to contact you by phone or email so you may select an alternative item, if qualifications are negatively affected. If Young Living is unable to contact you or do not receive a response from you within two business days, Young Living will remove the item and process the order.
- No COD orders will be accepted.
- Payment plans are not allowed when purchasing product. The balance may be paid with different credit cards, but must be paid in full before the order will be shipped.

#### 8.3.1 *Back Orders*

Because back orders often cause qualification problems and because some of Young Living's products are dependent on uncertain international supplies beyond its control, Young Living does not usually offer back orders. Only under unusual circumstances will Young Living offer a back order at its sole discretion. If a back order does occur, no additional shipping charges prescribed by Young Living from time to time at its sole discretion will be incurred in shipping the back-dated product.

#### 8.3.2 *Month-End Order Processing Cutoff*

The month-end order processing cutoff is the last calendar day of the month at 11:59 p.m. [Hong Kong Time]. Mailed and faxed orders must be received by the last day of the month. All mailed-in orders will be credited to the month in which they are received. Even when the end of the month falls on a weekend, holiday, or a day that Young Living's office is closed, the deadline will not normally be extended. The fax



line and the website are available 7 days a week, 24 hours a day, making it possible to place all orders by the end of the month.

## SECTION 9: *Shipping*

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### 9.1 *Shipping Methods and Charges*

Orders are generally shipped within two business days. A packing slip is included in each shipment. It contains the order number, member number and name, product code, product name, price, and the amount and method of payment. Distributors should keep these packing slips for personal accounting records. Package tracking is available through most major carriers.

### 9.2 *Shipping Discrepancies*

When you receive an order, you should check the products against the packing slip to make certain there is no discrepancy or damage. Please notify Young Living of any shipping discrepancies or damage as soon as possible. Failure to notify Young Living of any shipping discrepancy or damage within five business days of receipt of shipment will forfeit your right to request a correction.

The Return Merchandise Authorization (RMA) number, and a copy of the packing slip is required for the processing of all shipping discrepancies or damage claims. If the required forms are not included, Young Living will not process shipping discrepancies, issue credits, or replace damaged products. These forms are included in each order when packaged for shipment.

To correct any problems you may have encountered with your shipments, please contact Young Living. Young Living will discuss the steps to rectify the situation and issue a Return Merchandise Authorization (RMA) number.

## SECTION 10: *Payment*

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### 10.1 *Methods of Payment*

Young Living accepts the following payment methods:

- Credit Cards—VISA, MasterCard and American Express. Using someone else’s credit card without his/her written permission is illegal and will entitle Young Living to terminate your distributorship as well as commencing legal action against you.
- Direct debiting arrangement—Hong Kong bank accounts only.

### 10.2 *Insufficient Funds*

It is your responsibility to ensure that there are sufficient funds available in your bank account to cover regular orders and autoship orders. If the bank account for direct debiting arrangement does not have sufficient fund for the transaction, you will not be able to place orders using the direct debiting arrangement until the balance is paid with a credit card or a bank draft of any licenced bank in Hong Kong. Failure to provide sufficient funds for direct debiting arrangement will entitle Young Living to terminate your distributorship. Any uncollected amount may be deducted from commissions.

### 10.3 *Restrictions on Third Party Use of Credit Cards and Bank Account Access*

You may not permit other Distributors or customers to use your credit card, or permit debits to your bank accounts, to enroll with or to make purchases from Young Living.

### 10.4 *Commission and Bonus Release Form*

You may choose to retain your commissions and bonuses (all or in part) in the form of a credit on your Young Living account. This credit would be used against future product purchases, in accordance with Section 6. A Commission and Bonus Release form as prescribed by Young Living from time to time must be received and approved by Young Living before your commission can be issued as a credit on account.

## SECTION 11: *Distributor Account Management*

### 11.1 *Changes to a Distributor Account*

You must immediately notify Young Living of all changes to the information contained on your Distributor Agreement. You may update your existing information by submitting a written request indicating the changes, by submitting a Personal Information Change Form, or by making such changes in the Virtual Office. The modifications permitted within the scope of this paragraph do not include a change of sponsor or tax information.

#### 11.1.1 *Sponsor Changes*

To protect the integrity of all marketing organizations and safeguard the hard work of all Distributors, Young Living strongly discourages changes in sponsorship. Sponsor change requests may be made directly over the phone if within the first 5 days of registration. After 5 days, the request must be submitted in writing via mail, email, or fax and must include the reason for the transfer. Requests submitted via email should be sent to [resolutions@youngliving.com](mailto:resolutions@youngliving.com) and must come directly from the new Distributor or the new Distributor's enroller, and must be sent from the email address on file with Young Living. Requests cannot be submitted by another Distributor even in the form of a forwarded email. That fact notwithstanding, Young Living reserves the right to make sponsor changes at any time and at its sole discretion. When a request for a sponsor change is received, there will be a 30 day mandatory waiting period to allow for processing.

Change of your sponsor will be considered only under the following circumstances:

- You may seek a sponsor change in writing by including with your request the written approval of three active upline members whose income will be affected by the transfer. For purposes of this Section only, "active" is defined as a member who is generating 100 PV each month for the last six months. Your request must come directly from you, and not from anyone

else, including the upline members. To ensure that the upline members have submitted their approvals, it is recommended that you request to be copied on the upline member's email correspondence to Young Living. Your request will be subject to approval of Young Living. In your written request you must indicate that you understand that your existing downline will be forfeited. Your downline Distributors will remain in the original genealogy and will not be moved with you. When a request for sponsor change is submitted, the first five levels of upline members will receive a notification of the request. If, after the required waiting period, the requesting member has not canceled the request, the sponsor change will then be completed.

- If you have not placed an order or generated any sales for six or more consecutive months then you are eligible to transfer to another sponsor of your choosing. You must submit your request for the sponsor change in writing before you submit any further orders, and you must indicate that you understand that your existing downline will be forfeited. Any downline Distributors will remain in the original genealogy and will not be moved with the transferring Distributor.
- A change of sponsor may be granted at any time before you earn a commission payment or at any time before you have first achieved an OGV under 500. In this instance, any downline that you have acquired will rollup.
- If you register using Young Living's placement program, you reserve the right to change your sponsor within 30 days of being placed.

Problems of attitude, non-support, personality conflicts, or social preferences are not acceptable reasons for a change. A fee of HK\$275 will be charged for all sponsor changes. This fee will be charged even if the request is rejected by Young Living.

If a Distributor and that Distributor's enroller both submit sponsor change requests within the appropriate and allotted time frame, the request from the Distributor will always take precedent.

In the event that a sponsor is changed, the enroller remains the same. Distributors placed under a sponsor through Young Living's placement program will be considered as having no enroller.

### 11.1.2 *Waiver of Claims*

In cases in which you have changed sponsors and the appropriate sponsorship change procedures have not been followed, and you have developed a downline organization in a distributorship under a new sponsor, Young Living has the sole and exclusive right to determine the final disposition of your new downline organization. Resolving conflicts over the proper placement of a downline that has developed under an organization that has improperly switched sponsors is often extremely difficult. Therefore, you waive any and all claims against Young Living, its officers, directors, owners, employees, and agents that relate to or arise from Young Living's decision regarding the disposition of any downline organization that develops below an organization that has improperly changed lines of sponsorship.

### 11.2 *Downline Genealogy Reports*

Downline Genealogy Reports are optional and may be ordered at any time. Members with a personal website may receive two free emailed downline reports per month, upon request with all additional email reports costing HK\$40 each. Members who do not have a personal website will pay HK\$40 for each email report requested. Members who wish to have the emailed report sent out automatically each month will pay HK\$[ ] for each email report, regardless of the member's personal website status. Members who wish to have the report faxed or mailed will pay HK\$40 for the first 10 pages and 10 cents for each additional page. Downline Genealogy Reports contain trade secret information, which is proprietary to Young Living. Refer to Sections 2.11 and 2.16 for restrictions on using these reports. Young Living may request the return of these reports at any time, and will require their return upon termination of your distributorship.

### 11.3 *The D. Gary Young Foundation: Young Living Outreach*

By enrolling as a Distributor you are automatically enrolled as a non-voting distributor member of The D. Gary Young Foundation: Young Living Outreach. The privileges associated with this class of membership include the invitation to participate (at the member's own expense where applicable) in certain member-participation charitable activities, the right to receive periodic reports of the charitable activities and accomplishments of the foundation, and the invitation to contribute to the foundation for the advancement of its charitable purposes.

## SECTION 12: *Dispute Resolution and Disciplinary Action*

### 12.1 *Disputes with Other Distributors*

If you have a grievance or complaint with another Distributor regarding any practice or conduct in relationship to your sales organization, you should first discuss the problem with the other Distributor. If this does not resolve the problem, report the problem to your upline leader who is a Silver or above to resolve the issue at a local level. If the matter cannot be resolved, it may be reported to Young Living in writing via mail, fax, or email at distributorcompliance@youngliving.com. The complaint should identify specific instances of alleged improper conduct and, to the extent possible, identify the relevant dates on which the event(s) complained of took place, the location(s) where they occurred, and all persons who have first-hand knowledge of the improper conduct.

Upon receipt of a written complaint, Young Living will investigate the matter, review the applicable policies, and render a decision on how the dispute will be resolved. Young Living may impose disciplinary sanctions as provided in Section 12.3.

### 12.2 *Disputes with Young Living*

### 12.2.1 *Mediation*

Subject to Section 12.2.3 below, prior to instituting any legal proceedings to resolve any dispute, difference or claim arising out of or in connection with the Agreement, you and Young Living (collectively referred to as the “parties concerned”) will meet in good faith and attempt to resolve such dispute, difference or claim through non-binding mediation. One individual who is mutually acceptable to the parties concerned will be appointed as mediator provided that if the parties concerned cannot agree on the mediator to be appointed after one has been nominated by any of the parties concerned for more than 30 days, any one of the parties concerned may request the Hong Kong International Arbitration Centre to appoint the mediator. The parties concerned shall comply with all reasonable requests made by the mediator for conducting the mediation including without limitation the signing of the mediation agreement with the mediator containing terms not inconsistent with this Section 12.2.1 so that the mediation will occur within 60 days from the date on which the mediator is appointed. The mediator’s fees and costs, as well as the costs of holding and conducting the mediation, will be divided equally between the parties concerned. Each of the parties concerned will pay its portion of the anticipated shared fees and costs at least 10 days in advance of the mediation. Each of the parties concerned will pay its own attorney’s fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation will be held in Hong Kong and will last for no more than two business days.

### 12.2.2 *Governing Law*

Subject to 12.2.3 below, the Agreement shall be governed by and construed in accordance with the laws of Hong Kong and you and Young Living hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong.

### 12.2.3 *Governing Law for Compensation Plan*

The Compensation Plan shall be governed by the laws of state of Utah, the United States of America, and any dispute, difference or claim arising out of or

in connection with the Compensation Plan shall be resolved in accordance with its terms.

### 12.3 *Disciplinary Actions*

At Young Living’s discretion, violation by you of any of the terms and conditions of the Agreement may result in a hold on your account, which will result in an inability to place orders and earn or receive commissions. These violations include but are not limited to any illegal, fraudulent, deceptive, or unethical business conduct; non-payment of your account with Young Living, declination of credit card authorization or direct debiting arrangement.

In relation to any investigation made by Young Living under Section 12.1 or of violation of any of the terms and conditions of the Agreement as aforesaid, Young Living may impose any or all of the following sanctions:

- Written warning clarifying the meaning and application of a specific policy or procedure and advising that a continued breach will result in further sanctions;
- Probation, which may include requiring you to take remedial action and will include follow-up monitoring by Young Living to ensure compliance with the Agreement;
- Withdrawal or denial of an award or recognition, or restricting participation in Young Living-sponsored events for a specified period of time or until you satisfy certain specified conditions;
- Suspension of certain privileges of distributorship including, but not limited to, placing a product order, participating in Young Living programs, progressing in the Compensation Plan, or participating as a Distributor for a specified period of time or until you satisfy certain specified conditions;
- Suspension and/or termination of access to the Virtual Office;
- Withholding commissions or bonuses for a specified period of time or until you satisfy certain specified conditions;
- Imposing fair and reasonable fines or other penalties in proportion to actual damages incurred by Young Living and as permitted by law; and/or

- Any other measure expressly allowed within any provision of the Agreement or which Young Living deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by your breach of the Agreement.

During the period that Young Living is investigating any conduct that violates the Agreement, Young Living may withhold all or part of your bonuses and commissions. If your distributorship is involuntarily terminated in accordance with Section 13.3 below, you will not be entitled to recover any commissions or bonuses withheld during the investigation period.

In situations deemed appropriate by it, Young Living may institute legal proceedings for monetary and/or equitable relief.

#### 12.4 *Review of Disciplinary Action*

In the instance that you are subject to a sanction or disciplinary action (other than a suspension pending an investigation), you may request Young Living to review the sanction. Your request for a review must be in writing and received by Young Living within 15 days on which the sanction is imposed. If the request for review is not received within the 15-day period, the sanction will be final. The request for review should be submitted with all supporting documentation. Young Living will review and reconsider the sanction or other disciplinary action, consider other appropriate action, and notify you in writing of its decision.

### SECTION 13: *Inactivity, Reactivation, and Cancellation*

#### 13.1 *Inactivity*

If you do not meet the PV requirement in any particular month, you will be deemed inactive for that month and will not receive commissions or bonuses for the sales generated through the downline organization.

If you remain inactive for a period of 12 consecutive months, you will cease to be a Distributor and the Agreement will be terminated. Any existing sales organization or downline will roll-up to your first active upline Distributor.

#### 13.2 *Reactivation*

If your distributorship is terminated due to inactivity you may reactivate your membership by contacting Young Living and requesting reactivation. If your membership has been deactivated you may not sign up as a new member, but must have your account reactivated to once again become a Distributor. You may reactivate your account for free if you meet a 100PV requirement; otherwise you must purchase a Starter Kit as though you are a new member in order to reactivate your account. Reactivating members will be reactivated under their prior sponsor unless otherwise requested. Should the prior sponsor be inactive, the member will be reactivated under the first active upline member. Reactivating members have no claim to downline that was lost when they were dropped for inactivity and are treated as a new member.

#### 13.3 *Involuntary Termination*

Violation of any of the terms of the Agreement by you shall constitute a material breach of the Agreement and, notwithstanding any other provision herein, Young Living shall have the right to terminate the Agreement forthwith by sending a written notice to you to such effect (“Involuntary Termination”). Involuntary termination following any investigation under Section 12.3 will result in the loss of all rights to the downline and any commissions or bonuses generated thereby, including those commissions or bonuses generated during the periods of activity investigated. If your distributorship is terminated, you will receive commission or bonuses for the last full calendar month in which you were in compliance with these Policies and Procedures prior to investigation and/or termination of your distributorship.

Young Living may also terminate your distributorship at any time and for any reason upon giving you 30-days written notice.

If your distributorship is terminated, you will be notified by mail, the email on record, or other delivery method, calculated to reach you at the address on file.

If your distributorship is terminated you may reapply to become a Distributor 12 calendar months from the date of termination. To reapply you must submit a letter to the Young Living setting forth the reasons why you believe you should be allowed to operate a distributorship. It is within Young Living's sole discretion whether or not to permit your request.

### 13.4 *Voluntary Cancellation*

You may cancel the Agreement at any time and for any reason. Written notice must be provided to Young Living and must include your signature, printed name, member number, address, PIN, and telephone number. You may submit this notice via email, in which case your signature is not required, but the email must come from the email address listed on your account.

If you voluntarily cancel the Agreement, you may become a retail customer. Additionally, you may reapply to become a Distributor within six months after the cancellation date.

### 13.5 *Effects of Cancellation or Termination*

Upon cancellation or termination of the Agreement:

- You release all your rights and benefits as a Distributor including the downline and all future commissions and bonuses resulting from the downline sales production.
- Young Living may at its sole discretion retain your distributorship, sell it, or dissolve and remove it from the sponsor's downline.
- You must immediately cease representing yourself as a Distributor and immediately return and delete all intellectual property of the Young Living Group, including Reports and other lists of downline and contact information.

## SECTION 14: *Miscellaneous*

### 14.1 *Delays*

Young Living is not responsible for delays and failures in performing its obligations due to circumstances beyond its reasonable control. This includes, without

limitation, acts of God, strikes, labor difficulties, riots, wars, fire, flood, death, curtailment or interruption of a source of supply, government decrees or orders, etc.

### 14.2 *Partial Validity*

If any provision of the Agreement, in its current form or as it may be amended, is found to be invalid or unenforceable for any reason, only the invalid portion(s) of the provision will be severed. The remaining terms and conditions will remain in full force and effect and will be construed as if such invalid or unenforceable provision never comprised a part of the Agreement. The Agreement will be interpreted by Young Living in the best furtherance of Young Living's business interests.

### 14.3 *Waiver*

Young Living never forfeits its right to require compliance with the Agreement or with applicable laws and regulations governing business conduct. While Young Living attempts to enforce the Agreement uniformly, failure to enforce any provision of the Agreement against you does not waive Young Living's right to enforce that or other provisions. Only in rare circumstances will a policy be waived, and an authorized agent of Young Living will convey such waivers in writing. The waiver will apply only to that specific case.

### 14.4 *Titles Not Substantive*

The titles and headings to these Policies and Procedures are for reference only and do not constitute and will not be construed as substantive terms of the Agreement.

### 14.5 *Independent Legal Advice*

You hereby confirm and acknowledge that the Agreement is prepared from the perspective of Young Living and you shall seek independent legal advice in relation to the Agreement before executing and/or entering into the same. You hereby also confirm and acknowledge that you fully understand the purpose, nature and effect of the Agreement.