



"Bringing the Spa...Anywhere!"

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SPA-NIQUE SPA-STRIIBUTOR POLICY AND PROCEDURES

SECTION 1 INTRODUCTION

1.1 Policies and Compensation Plan Incorporated into Spa-Stributor Agreement

These Policies and Procedures, in their present form and as amended at the sole discretion of Spa-Nique, LLC, (hereafter "Spa-Nique" or the "Company"), are incorporated into, and form an integral part of, the Spa-Nique Spa-Stributor Agreement. Throughout these Policies and Procedures, when the term "Agreement" is used, it collectively refers to the Spa-Nique Spa-Stributor Application and Agreement, these Policies and Procedures, the Spa-Nique Spa-Stributor Compensation Plan, the Spa-Nique Codes of Conduct, and the Spa-Nique Business Entity Application (if applicable). These documents are incorporated by reference into the Spa-Nique Spa-Stributor Agreement (all in their current form and as amended by Spa-Nique). It is the responsibility of each Spa-Stributor to read, understand, adhere to, and ensure that he or she is aware of and operating under the most current version of these Policies and Procedures. The most current version of the Spa-Nique Spa-Stributor Agreement, including these Policies and Procedures, will be posted on the Spa-Nique website, which may be amended and updated in Spa-Nique's sole discretion. When sponsoring or enrolling a new Spa-Stributor, it is the responsibility of the sponsoring Spa-Stributor to ensure that the applicant is provided with, or has online access to, the most current version of these Policies and Procedures and the Spa-Nique Spa-Stributor Compensation Plan prior to his or her execution of the Spa-Stributor Agreement.

1.2 Purpose of Policies

In addition to other sales channels, Spa-Nique markets its products and services through independent contractor sales representatives called "Spa-Stributors." It is important to understand that your success and the success of your fellow Spa-Stributors depend on the integrity of the men and women who market our products and services. To clearly define the relationship that exists between Spa-Stributors and Spa-Nique, and to explicitly set a standard for acceptable business conduct, Spa-Nique has established the Agreement.

Spa-Nique Spa-Stributors are required to comply with all of the Terms and Conditions set forth in the Agreement, which Spa-Nique may amend at its sole discretion from time to time, as well as all federal, state, and local laws governing their Spa-Nique business and their conduct. Because you may be unfamiliar with many of these standards of practice, it is very important that you read and abide by the Agreement. Please review the information in this manual carefully. It explains and governs the relationship between you, as an independent contractor, and the Company. If you have any questions regarding any policy or rule, do not hesitate to seek an answer from anyone in your upline or Spa-Nique.

1.3 Changes to the Agreement

Because federal, state, and local laws, as well as the business environment, periodically change, Spa-Nique reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Spa-Stributor Agreement, a Spa-Stributor agrees to abide by all amendments or modifications that Spa-Nique elects to make. Amendments shall be effective upon notice to all Spa-Stributors that the Agreement has been modified, which will include posting such amendments or updated documents on the Spa-Nique website. Notification of amendments shall be published in official Spa-Nique materials. The Company shall provide or make available to all Spa-Stributors a complete copy of the amended provisions by one or more of the following methods: (1) posting on Spa-Nique's official Web site; (2) electronic mail (email); (3) inclusion in Company periodicals; (4) inclusion in product orders or bonus checks; or (5) special mailings. The continuation of a Spa-Stributor's Spa-Nique business or a Spa-Stributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

1.4 Delays

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

1.5 Policies and Provisions Severable

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

1.6 Waiver

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

The existence of any claim or cause of action of a Spa-Stributor against Spa-Nique shall not constitute a defense to Spa-Nique's enforcement of any term or provision of the Agreement.

SECTION 2 BECOMING A SPA-STRICTOR

2.1 Requirements to Become a Spa-Nique Spa-Stributor

Each applicant must:

- ✚ Be of the age of majority in his or her state of residence
- ✚ Reside in the United States or U.S. Territories or country that Spa-Nique has officially announced is open for business
- ✚ Have a valid Social Security or Federal Tax ID number

- ✚ Purchase a Spa-Stributor Business Kit (optional in North Dakota); and
- ✚ Submit a properly completed and executed online or physical Spa-Stributor Application (originals only—no copies) and Agreement to Spa-Nique. Information submitted on the Application, either online or physical copy, must be true, **correct and current as of the time of submittal**, including, without limitation, the applicant’s personal actual and correct current address, email, credit card information and tax identification information. Any information considered fraudulent will cause the Spa-Stributor to be subject to disciplinary action, including suspension or termination of their business.
- ✚ Agree that there be at least one approved massage therapist in your business prior to qualifying for income.
- ✚ Forward copies of all certifications, state licensure if required and liability insurance to Spa-Nique, LLC.

2.2 No Product Purchase Required

To familiarize new Spa-Stributors with Spa-Nique products, services, sales techniques, sales aids, and other matters, the Company requires that Spa-Stributors purchase a Spa-Stributor Business Kit as well as a starter kit of products that will be necessary to perform the basic services listed on our menu. Spa-Nique will repurchase resalable kits from any Spa-Stributor who terminates his or her Spa-Stributor Agreement pursuant to the terms of Section 7.3. The Company reserves the right to reject any application for a new Spa-Stributor or applications renewal.

2.3 New Spa-Stributor Registration

A Sponsor or potential new Spa-Stributor may call the Spa-Nique home office during regular business hours to receive a Spa-Stributor Identification Number. A new Spa-Stributor Kit must be ordered at this time using a valid credit card. A properly completed Spa-Stributor Application and Agreement must be submitted within 30 days from the date of the telephone enrollment. Persons enrolled via telephone enrollment will not be included in the Company genealogy until a signed Spa-Stributor Application and Agreement is received by the Company. Applicants who enroll on-line will receive a Spa-Stributor Identification Number immediately and/or e-mailed to them.

2.4 Spa-Stributor Benefits

Once a Spa-Stributor Application and Agreement has been accepted by Spa-Nique, the benefits of the Team Spa-Nique Spa-Stributor Compensation Plan and the Spa-Stributor Agreement are available to the new Spa-Stributor. These benefits include the right to:

- ✚ Purchase Spa-Nique products and services at the Spa-Stributor price;
- ✚ Sell Spa-Nique products and services;
- ✚ Participate in the Spa-Nique Spa-Stributor Compensation Plan (receive bonuses and commissions, if eligible);
- ✚ Sponsor other individuals as Customers or Spa-Stributors into the Spa-Nique business and, thereby, build a marketing organization and progress through the Spa-Nique Spa-Stributor Compensation Plan;
- ✚ Receive periodic Spa-Nique literature and other Spa-Nique communications;
- ✚ Participate in Spa-Nique-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- ✚ Participate in promotional and incentive contests and programs sponsored by Spa-Nique for its Spa-Stributors.
- ✚ Receive discount off liability insurance and other contracts
- ✚ Receive access to massage therapist lists nationwide
- ✚ Receive advertising and marketing materials.
- ✚ Hospitality leads.
- ✚ Business Plan template.
- ✚ Free Membership to Biz4localz.

2.5 Term and Renewal of Your Spa-Nique Business

The term of the Spa-Stributor Agreement is one year from the date of its acceptance by Spa-Nique (subject to reclassification for inactivity after six months pursuant to Section 10.2). After the first year, each Spa-Stributor shall renew their Spa-Stributor Agreement and provide the Company on or before the anniversary date of the following materials:

- ✚ Completed Spa-Nique Renewal Application
- ✚ Proof of Therapist license or if Spa-Stributor, proof of Therapist license of at least one (1) licensed therapist at location, or mobile therapist used in operation of business;
- ✚ Proof of insurance in accordance with the minimum requirements under Section 3.17 herein.

Spa-Stributors shall provide the Company with a copy of all renewed, changed or amended license and insurance policies.

SECTION 3 OPERATING A SPA-NIQUE BUSINESS

3.1 Adherence to the Spa-Nique Spa-Stributor Compensation Plan

Spa-Stributors must adhere to the terms of the Spa-Nique Spa-Stributor Compensation Plan as set forth in official Spa-Nique literature. Spa-Stributors shall not offer the Spa-Nique Spa-Stributor Business Opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Spa-Nique literature. Spa-Stributors shall not require or encourage other current or prospective Customers or Spa-Stributors to participate in Spa-Nique in any manner that varies from the program as set forth in official Spa-Nique literature. Spa-Stributors shall not require or encourage other current or prospective Customers or Spa-Stributors to execute any agreement or contract other than official Spa-Nique agreements and contracts in order to become a Spa-Nique Spa-Stributor. Similarly, Spa-Stributors shall not require or encourage other current or prospective Customers or Spa-Stributors to make any purchase from, or payment to, any individual or other entity to participate in the Spa-Nique Spa-Stributor Compensation Plan other than those purchases or payments identified as recommended or required in official Spa-Nique literature.

3.1.1 Spa-Stributor Recognition

For any recognition for rank advancement or other accomplishments as a Spa-Nique Spa-Stributor, Spa-Stributors will be recognized by the name of their registered Spa-Stributor Business Center (SBC); first and last name for individual accounts or the applicable business entity name for business entity accounts. However, for business entity accounts, the registered individual contact for the applicable business account may contact Spa-Stributor Relations and request that all recognition for that CBC be listed in that registered individual's name.

3.2 Advertising

3.2.1 General

All Spa-Stributors shall safeguard and promote the good reputation of Spa-Nique and its products. The marketing and promotion of Spa-Nique, the Spa-Nique Spa-Stributor Business Opportunity, the Spa-Nique Spa-Stributor Compensation Plan, and Spa-Nique products shall be consistent with the public interest, and must avoid all discourteous, illegal, offensive, deceptive, misleading, unethical or immoral conduct or practices. Upon notice from Spa-Nique, the Spa-Stributor must immediately discontinue the prohibited conduct. In addition, the Company reserves the right to take additional disciplinary action against a Spa-Stributor depending on the severity of the conduct.

To promote both the products and services, and the tremendous opportunity Spa-Nique offers, Spa-Stributores are encouraged to use the sales aids and support materials produced by Spa-Nique. The rationale behind this requirement is simple. Spa-Nique has carefully designed its products, product labels, Spa-Stributor Compensation Plan, and promotional materials to ensure that each aspect of Spa-Nique is fair, truthful, substantiated, and complies with the vast and complex legal requirements of federal and state laws. With regards to promotional materials, for example T-shirts, caps or other similar items, Spa-Stributores are permitted to include the Spa-Nique logos and product logos only following prior approval from Compliance.

To further ensure the accuracy and consistency of advertising for both Spa-Nique products and the Business Opportunity, Spa-Stributores are not allowed to engage in any television advertising, and may not engage in any radio advertising which has not been pre-approved in writing by the Company.

3.2.2 Spa-Stributor Web Sites and Other Communications Facilities

If a Spa-Stributor desires to utilize an Internet Web page or other online communication facility to promote his or her business, he or she may do so through his or her Spa-Nique-provided replicated Web site. Alternatively, Spa-Stributores may develop their own Web pages; however, any Spa-Stributor who does so must act at all times in full conformance with these Policies and Procedures and must additionally: (a) accurately and faithfully use text replicated from the Company's official Web site; (b) ensure the accuracy, legality, and legitimacy of any and all content of his or her Web site with text from any source other than the Company; (c) not advertise the price of any Spa-Nique products or services at an amount less than that advertised by the Company on the official Company Web site; and (d) only enroll any new Spa-Stributores through his or her Spa-Nique-provided official Web site. Spa-Stributores who develop or publish their own Web sites must register each version of their sites(s), and all edits to their site(s), with the Company and receive written approval from the Company prior to the site's (sites') public availability. The failure to register constitutes a material breach of these Policies and Procedures. "Other communication facilities" includes, but is not limited to, blog sites, message boards, chat rooms, social networking sites, instant message services, and text messages.

3.2.3 Trademarks, Copyrights and Domain Names

Spa-Stributores may not use or attempt to register any of Spa-Nique's trade names, trademarks, service names, service marks, product names, the Company's names, symbols, keywords, advertisement buys, meta tag keywords or any other activities that are considered Internet optimization, or any portion, modification, contextual use, expansion, translation, other derivative thereof, or any other use of any word in an attempt to be confusingly similar with any of the foregoing for any Internet domain name (including, without limitation, as a subdomain on the Spa-Nique website). For example, Joespanique.com, yourspa-nique.com, spaniqueinc.com. Registered domain names that violate this policy must be released to Spa-Nique corporate.

Spa-Nique will not allow the use of its trade names, trademarks, designs, or symbols ("Spa-Nique Marks") by any person, including Spa-Nique Spa-Stributores, without its prior, written permission. Any and all use of Spa-Nique Marks shall be consistent with the high-quality image heretofore associated with Spa-Nique Marks and shall in no manner reflect adversely upon the good name of Spa-Nique or upon the goodwill and reputation associated with Spa-Nique and Spa-Nique Marks. Spa-Nique will review all uses of Spa-Nique Marks to assure the high quality associated with Spa-Nique Marks is being maintained and reserves the right to deny or withdraw its consent for use of any of Spa-Nique Marks. Spa-Stributores may not do anything which impairs Spa-Nique's ownership of or the validity of Spa-Nique Marks.

Spa-Stributores may not produce for sale or distribution any recorded Company events and speeches without written permission from Spa-Nique, nor may Spa-Stributores reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations. If a Spa-Stributor utilizes or adopts Spa-Nique produced materials in his or her promotional material, the Spa-Stributor agrees that Spa-Nique shall have a license to use the material and shall not have any obligation to pay any form of remuneration or compensation to the Spa-Stributor.

3.2.4 Media and Media Inquiries

Spa-Stributor must not attempt to respond to media inquiries regarding Spa-Nique, its products or services, or their independent Spa-Nique business. All inquiries by any type of media must be immediately referred to Spa-Nique's

Public Relations Department. This policy is designed to assure that accurate and consistent information is provided to the public as well as a proper public image. Spa-Stributors must request from the Company and execute the Spa-Stributor License Agreement for Usage of Promotional Materials to receive authorization to utilize and edit Company promotional materials and intellectual property, including video, audio and printed materials. Spa-Stributors may not in any manner copy, display, edit or in any other manner exploit any content or other materials exclusively available to Spa-Nique Club Members (including, without limitation, Trainer Tips and exclusive videos), any Spa-Nique product videos (in whole or in part) or any other materials except as expressly authorized by Spa-Nique. The completed License Agreement must be submitted to the Spa-Nique Production Department to receive authorization and the copies of requested digital assets. Please note that charges may apply to provide such high-resolution digital assets.

3.2.5 Unsolicited Email

Spa-Nique does not permit Spa-Stributors to send unsolicited commercial emails unless such emails strictly comply with applicable laws and regulations, including, without limitation, the federal CAN SPAM Act. Any email sent by a Spa-Stributor that promotes Spa-Nique, the Spa-Nique Spa-Stributor Business Opportunity, or Spa-Nique products and services must comply with the following:

- i. There must be a functioning return email address to the sender.
- ii. There must be a clear and conspicuous notice in the email (at least 10-point bold font) that advises the recipient that he or she may reply to the email, via the functioning return email address, to request that future email solicitations or correspondence not be sent to him or her (a functioning “opt-out” notice).
- iii. The email must include the Spa-Stributor’s physical mailing address.
- iv. The email must clearly and conspicuously disclose that the message is an advertisement or solicitation.
- v. The use of deceptive subject lines and/or false header information is prohibited.
- vi. All opt-out requests, whether received by email or regular mail, must be promptly honored. If a Spa-Stributor receives an opt-out request from a recipient of an email, the Spa-Stributor must forward the opt-out request to the Company.

Spa-Nique may periodically send commercial emails on behalf of Spa-Stributors. By entering into the Spa-Stributor Agreement, the Spa-Stributor agrees that the Company may send such emails and that the Spa-Stributor’s name and physical and email addresses may be included in such emails as outlined above. Spa-Stributors shall honor opt-out requests generated as a result of such emails sent by the Company.

3.2.6 Unsolicited Faxes and Telephone Calls

Except as provided in this section, Spa-Stributors may not use or transmit unsolicited faxes or use an automatic telephone dialing system relative to the operation of their Spa-Nique businesses. The term “automatic telephone dialing system” means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers. The terms “unsolicited faxes” means the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting Spa-Nique, its products, its Compensation Plan, or any other aspect of the Company which is transmitted to any person, except that these terms do not include a fax or email: (a) to any person with that person’s prior express invitation or permission; or (b) to any person with whom the Spa-Stributor has an established business or personal relationship. The term “established business or personal relationship” means a prior or existing relationship formed by a voluntary two-way communication between a Spa-Stributor and a person, on the basis of: (a) an inquiry, application, purchase, or transaction by the person regarding products offered by such Spa-Stributor; or (b) a personal or familiar relationship, which relationship has not been previously terminated by either party.

3.3 Bonus Buying Prohibited

Bonus buying is strictly and absolutely prohibited. “Bonus buying” includes: (a) the enrollment of individuals or entities without the permission and/or knowledge of such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Spa-Stributor or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Spa-Stributors Customers (“phantoms”); (d) purchasing Spa-Nique products or services on behalf of another Spa-Stributor or Customer, or under another Spa-Stributor’s or Customer’s I.D. number, to qualify

for commissions or bonuses; or (e) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions or bonuses that is not driven by bona fide product or service purchases by end-user consumers.

3.4 Business Entities

A corporation, partnership or trust (collectively referred to in this section as a “Business Entity”) may apply to be a Spa-Nique Spa-Stributor by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the “Entity Documents”) to Spa-Nique, along with a properly completed Business Entity Registration form. Any and all owners with more than a 5% ownership interest in a prospective business entity must be disclosed on the applicable Business Entity Registration Form that is submitted to Spa-Nique. Upon registration as a Business Entity, a Spa-Stributor has 90 days to provide to Spa-Stributor Relations a copy of the IRS letter verifying the business contact information and FEIN. If the IRS letter is not received within this timeframe, the Business Entity account will be placed on a temporary hold until such documentation is received. Any of the owners listed on the Business Entity Application or any other individuals for which the Company has received written notice, are acceptable as managing individuals for the business account; provided that managing individuals may not separately own or manage other Spa-Stributor Business Centers. Acceptable written notice is the submission of the Business Contact Update Form which can be requested from Spa-Stributor Relations. A Spa-Nique business may change its status under the same sponsor from an individual to a partnership, corporation or trust, or from one type of entity to another. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Spa-Stributor Application and Agreement. The Business Entity Registration form must be signed by all of the shareholders, partners or trustees. Members of the entity are jointly and severally liable for any indebtedness or other obligation to Spa-Nique. There must be a named primary contact person per Spa-Nique Spa-Stributor account.

3.5 Changes to a Spa-Nique Business

3.5.1 General

Each Spa-Stributor must immediately notify Spa-Nique in writing of all changes to the information contained on his or her Spa-Stributor Application and Agreement. Spa-Stributors may modify their existing Spa-Stributor Agreement (i.e., change Social Security number to Federal I.D. number, or change the form of ownership from an individual proprietorship to a business entity owned by the Spa-Stributor) by submitting a written request, a properly executed Spa-Stributor Application and Agreement, and appropriate supporting documentation.

3.5.2 Addition of Co-Applicants

When adding a co-applicant (either an individual or a business entity) to an existing Spa-Nique business, the Company requires both a written request as well as a properly completed Spa-Stributor Application and Agreement containing the applicant and co-applicant’s Social Security numbers and signatures. To prevent the circumvention of Section 3.25 (regarding transfers and assignments of a Spa-Nique business), the original applicant must remain as a party to the original Spa-Stributor Application and Agreement. If the original Spa-Stributor wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with Section 3.25. If this process is not followed, the business shall be canceled upon the withdrawal of the original Spa-Stributor. All bonus and commission checks will be sent to the address of record of the original Spa-Stributor. Please note that the modifications permitted within the scope of this paragraph *do not* include a change of sponsorship. Changes of sponsorship are addressed in Section 3.5.3, below. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Spa-Stributor Application and Agreement. Spa-Nique may, at its discretion, require notarized documents before implementing any changes to a Spa-Nique business. Please allow thirty (30) days after the receipt of the request by Spa-Nique for processing.

3.5.3 Change of Sponsor

A Spa-Stributor may legitimately change organizations by voluntarily canceling his or her Spa-Nique business and remaining inactive (i.e. no purchases of Spa-Nique products for resale, no sales of Spa-Nique services or Spa-Nique products, no sponsoring, no attendance at any Spa-Nique functions, participation in any other form of Spa-Stributor activity, or operation of any other Spa-Nique business) for six (6) full calendar months. Following the six month period of inactivity, the former Spa-Stributor may reapply under a new sponsor.

3.5.4 Cancellation and Re-Application

A Spa-Stributor may legitimately change organizations by voluntarily cancelling his or her Spa-Nique business and remaining inactive (i.e., no purchases of Spa-Nique products for resale, no sales of Spa-Nique products, no sponsoring, no attendance at any Spa-Nique functions, participation in any other form of Spa-Stributor activity, or operation of any other Spa-Nique business) for six (6) full calendar months. Following the six-month period of inactivity, the former Spa-Stributor may reapply under a new sponsor.

If a Spa-Stributor cancels his or her business, he or she need not wait six (6) calendar months before reenrolling if: (a) he or she reenrolls under the same sponsor he or she had at the time he or she cancelled; and (b) that sponsor has not changed lines of sponsorship during the period that the Spa-Stributor was cancelled. The Spa-Stributor who reenrolls must start his or her business anew, and will not be entitled to his or her prior position in the genealogy.

3.6 Unauthorized Claims and Actions

3.6.1 Indemnification

A Spa-Stributor is fully responsible for all of his or her verbal and written statements made regarding Spa-Nique products, services, marketing materials, and the Spa-Stributor Compensation Plan which are not expressly contained in official Spa-Nique materials. Spa-Stributors agree to indemnify Spa-Nique and Spa-Nique's directors, officers, employees, and agents, and hold them harmless from any and all liability, including judgments, civil penalties, refunds, attorney fees, court costs, or lost business, incurred by Spa-Nique as a result of the Spa-Stributor's unauthorized representations or actions, and/or any violation of any provision of the Agreement. This provision shall survive the termination of the Spa-Stributor Agreement.

3.6.2 Product Claims

No claims (which include personal testimonials) as to therapeutic, curative or diagnostic properties of any products offered by Spa-Nique may be made except those specific claims contained in official Spa-Nique literature. Such claims may only be repeated or republished in exactly the same format as that published by the Company, and the claim must be republished in its totality. In particular, no Spa-Stributor may make any claim that Spa-Nique products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases. Such statements can be perceived as medical or drug claims. Not only do such claims violate Spa-Nique policies, but they potentially violate federal and state laws and regulations, including the Federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act.

3.6.3 Income Claims

The Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Spa-Stributors may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact Spa-Nique as well as the Spa-Stributor making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Accordingly, Spa-Stributors may only make income statements, claims or projections (including the showing of checks, copies of checks, bank statements, or tax records) that they know are accurate (such as about their own income or that of other Spa-Stributors that they would have actual proof to support), and they must include the following mandatory statement in all written and promotional materials, or online or live presentations:

Spa-Nique does not guarantee any level of success or income from the Spa-Nique Spa-Stributor Opportunity. Each Spa-Stributor's income depends on his or her own efforts, diligence and skill.

Because income and/or earnings statements are regulated by government agencies, failure to prominently present the above disclaimer or any other disclaimer approved by Spa-Nique will result in disciplinary proceedings which may include, without limitation, suspension or termination of the Spa-Stributor Business Center. In addition, Spa-Stributors should, whenever possible, present new business prospects with a copy of the current Statement of Independent Spa-Stributor Earnings for their review.

3.7 Commercial/Retail Outlets

Spa-Nique strongly encourages the retailing and selling of products and services through direct contact with customers. The sale of Spa-Nique products or services through retail locations must be approved by the Company.

3.8 Trade Shows, Expositions and Other Sales Forums

Spa-Stributors may display and/or sell Spa-Nique products and the Spa-Stributor Business Opportunity at trade shows and professional expositions. Before submitting a deposit to the event promoter, Spa-Stributors are encouraged to contact the Compliance Department in writing to obtain Spa-Nique's approval. Spa-Stributors must always act in a professional and supportive manner at any such events. Spa-Nique must pre-approve all advertising material that the Spa-Stributor who received approval to display at the event wishes to use. Any requests to participate in future events must again be submitted to the Compliance Department. Spa-Nique further reserves the right to refuse authorization to participate at any function which it does not deem a suitable forum for the promotion of its products, services, or the Spa-Stributor Business Opportunity. Trade shows, expositions and other sales forums are not permitted outside the United States.

3.9 Conflicts of Interest

3.9.1 Non-solicitation

Spa-Nique Spa-Stributors are free to participate in other multilevel or network marketing business ventures or marketing opportunities (collectively "network marketing"). However, during the term of this Agreement, Spa-Stributors may not recruit other Spa-Nique Spa-Stributors or Customers for any other network marketing business. Following the cancellation of this Agreement, and for a period of six (6) months thereafter, with the exception of a Spa-Stributor's personally sponsored Spa-Stributors, a former Spa-Stributor may not recruit any Spa-Nique Spa-Stributor or Customer for another network marketing business.

Spa-Stributors and the Company recognize that because network marketing is conducted through networks of independent contractors dispersed across the entire United States and internationally, and business is commonly conducted via the Internet and telephone, an effort to narrowly limit the geographic scope of this non-solicitation provision would render it wholly ineffective. Therefore, Spa-Stributors and Spa-Nique agree that this non-solicitation provision shall apply to all markets in which Spa-Nique conducts business. The term "recruit" means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly or through a third party, another Spa-Nique Spa-Stributor or Customer to enroll or participate in another network marketing opportunity. This conduct constitutes recruiting even if the Spa-Stributor's actions are in response to an inquiry made by another Spa-Stributor or Customer.

Spa-Stributors must not sell, or attempt to sell, any competing non-Spa-Nique programs, products or services to Spa-Nique Customers or Spa-Stributores. Any program, product or services in the same generic category as Spa-Nique products or services is deemed to be competing, regardless of differences in cost, quality, or ingredient content.

Spa-Stributors may not display Spa-Nique promotional material with any other promotional material, products or services in a fashion that might in any way confuse or mislead a prospective Customer or Spa-Stributor into believing there is a relationship between the Spa-Nique and non-Spa-Nique products or services. Spa-Stributors may not offer the Spa-Nique Spa-Stributor Business Opportunity, products or services to prospective or existing Customers or Spa-Stributors in conjunction with any non-Spa-Nique program, opportunity, product or service. Spa-Stributors may not offer any non-Spa-Nique Spa-Stributor Business Opportunity, products or services at any Spa-Nique-related meeting, seminar or convention, or immediately following such event.

3.9.2 Downline Activity (Genealogy) Reports

Downline Activity Reports are available for Spa-Stributor access and viewing through the Spa-Stributor's replicated Web portal provided by the Company. Spa-Stributor access to their Downline Activity Reports is password protected. All Downline Activity Reports and the information contained therein are confidential and constitute

proprietary information and business trade secrets belonging to Spa-Nique. Downline Activity Reports are provided to Spa-Stributors in strictest confidence and are made available to Spa-Stributors for the sole purpose of assisting Spa-Stributors in working with their respective downline organizations in the development of their Spa-Nique business. Spa-Stributors should use their Downline Activity Reports to assist, motivate, and train their downline Spa-Stributors. The Spa-Stributor and Spa-Nique agree that, but for this agreement of confidentiality and nondisclosure, Spa-Nique would not provide Downline Activity Reports to the Spa-Stributor. A Spa-Stributor shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- (a) Directly or indirectly disclose any information contained in any Downline Activity Report to any third party
- (b) Directly or indirectly disclose the password or other access code to his or her Downline Activity Report
- (c) Use the information to compete with Spa-Nique or for any purpose other than promoting his or her Spa-Nique business
- (d) Recruit or solicit any Spa-Stributor or Customer of Spa-Nique listed on any report, or in any manner attempt to influence or induce any Spa-Stributor or Preferred Customer of Spa-Nique, to alter their business relationship with Spa-Nique; or
- (e) Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Downline Activity Report.

Upon demand by the Company, any current or former Spa-Stributor will return the original and all copies of Downline Activity Reports to the Company. At the Company's sole discretion and without prior notice, the Company may terminate a Spa-Stributor's access to his or her replicated Web portal and tools.

3.10 Targeting Other Direct Sellers

Spa-Nique does not condone Spa-Stributors specifically or consciously targeting the sales force of another direct sales company to sell Spa-Nique products or to become Spa-Stributors for Spa-Nique, nor does Spa-Nique condone Spa-Stributor's 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 Spa-Stributors engage in such activity, they bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration or mediation is brought against a Spa-Stributor alleging that he or she engaged in inappropriate recruiting activity of its sales force or customers, Spa-Nique will not pay any of the Spa-Stributor's defense costs or legal fees, nor will Spa-Nique indemnify the Spa-Stributor for any judgment, award, or settlement.

3.11 Cross-Sponsoring

Actual or attempted Cross-Sponsoring is strictly prohibited. "Cross-Sponsoring" is defined as the enrollment of an individual who or entity that already has a current Customer or Spa-Stributor Agreement on file with Spa-Nique, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, Federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited. Spa-Stributors shall not demean, discredit or defame other Spa-Nique Spa-Stributors in an attempt to entice another Spa-Stributor to become part of the first Spa-Stributor's marketing organization. This policy shall not prohibit the transfer of a Spa-Nique business in accordance with Section 3.25.

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

3.12 Errors or Questions

If a Spa-Stributor has questions about or believes any errors have been made regarding commissions, bonuses, Downline Activity Reports, or charges, the Spa-Stributor must notify Spa-Nique in writing within 60 days from the date on which the purported error or incident in question occurred. Spa-Stributors waive claims for any errors, omissions or problems not reported to the Company within 60 days.

3.13 Governmental Approval or Endorsement

Neither federal nor state regulatory agencies or officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Spa-Stributors shall not represent or imply that Spa-Nique or its Spa-Stributor Compensation Plan have been “approved,” “endorsed” or otherwise sanctioned by any government agency.

3.14 Identification

All Spa-Stributors are required to provide their Social Security number, or a Federal Employer Identification number, to Spa-Nique on the Spa-Stributor Application and Agreement. Upon enrollment, the Company will provide a unique Spa-Stributor Identification Number to the Spa-Stributor by which he or she will be identified. This number will be used to place orders, and track commissions and bonuses. Failure to provide accurate information will cause delays in processing applications and issuing checks. If information is fraudulently submitted, it will result in disciplinary sanctions against the Spa-Stributor.

3.15 Income Taxes

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

3.16 Independent Contractor Status

Spa-Stributors are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between Spa-Nique and its Spa-Stributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Spa-Stributor. A Spa-Stributor shall not be treated as an employee for his or her services or for federal or state tax purposes. All Spa-Stributors are responsible for paying local, state, and federal taxes due from all compensation earned as a Spa-Stributor of the Company. The Spa-Stributor has no authority (expressed or implied), to bind the Company to any obligation. Each Spa-Stributor shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Spa-Stributor Agreement, these Policies and Procedures, and applicable laws.

The name of Spa-Nique and other names as may be adopted by Spa-Nique, including, but without limitation, “Spa-Nique” and any of the products or services offered by Spa-Nique are proprietary trade names, trademarks and service marks of Spa-Nique. As such, these marks are of great value to Spa-Nique and are supplied to Spa-Stributors for their use only in an expressly authorized manner. Use of the Spa-Nique name, or any trademarks or service marks owned or controlled by Spa-Nique on any item not produced by the Company, is prohibited except as follows:

Spa-Stributor’s Name
Independent Spa-Nique Spa-Stributor

All Spa-Stributors may list themselves as an “Independent Spa-Nique Spa-Stributor” in the white or yellow pages of the telephone directory or applicable online forums, including but not limited to online forums, banners, listings and display ads. Spa-Stributors must also identify themselves in this fashion in email signatures and cell phone text messages, under their own name. No Spa-Stributor may place telephone directory display ads using Spa-Nique's

name or logo. Spa-Stributors may not answer the telephone by saying “Spa-Nique,” “Spa-Nique Incorporated,” or in any other manner that would lead the caller to believe that he or she has reached the corporate offices of Spa-Nique.

3.17 Insurance

All Spa-Stributors must carry a minimum of \$3million personal liability (malpractice) insurance, \$3 million general liability insurance (slip and fall), and \$3 million products liability insurance (e.g. adverse reaction to a lotion), so long as they are a Spa-Nique Spa-Stributor. If insurance is terminated for any reason, Spa-Stributors are required to immediately notify Spa-Nique at which time said Spa-Stributor will no longer be able to operate as a Spa-Stributor until insurance is retained and a copy the insurance policy is provided to Spa-Nique and written approval is given by Spa-Nique to continue as a Spa-Nique Spa-Stributor.

All Spa-Stributors are required to keep a current copy of all insurance policies on file with Spa-Nique.

3.18 International Marketing

Because of critical legal and tax considerations, Spa-Nique must limit the resale of Spa-Nique, products and services, and the presentation of the Spa-Nique business to Prospective Customers and Spa-Stributors located within the United States and U.S. Territories and those other countries that the Company has announced are officially opened for business. Moreover, allowing a few Spa-Stributors to conduct business in markets not yet opened by Spa-Nique would violate the concept of affording every Spa-Stributor the equal opportunity to expand internationally.

Accordingly, Spa-Stributors are authorized to sell Spa-Nique products and services, and enroll Customers or Spa-Stributors only in the countries in which Spa-Nique is authorized to conduct business, as announced in official Company literature. Spa-Nique products or sales aids cannot be shipped into or sold in any foreign country. Spa-Stributors may sell, give, transfer, or distribute Spa-Nique products or sales aids only in their home country. In addition, no Spa-Stributor may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll Potential Customers or Spa-Stributors; or (c) conduct any other activity for the purpose of selling Spa-Nique products, establishing a marketing organization, or promoting the Spa-Nique Spa-Stributor Business Opportunity.

3.19 Inventory Loading

Spa-Stributors must never purchase more products than they can reasonably use or sell to retail customers in a month, and must not influence or attempt to influence any other Spa-Stributor to buy more products than they can reasonably use or sell to retail customers in a month.

3.20 Adherence to Laws and Ordinances

3.20.1 Local Ordinances

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

3.20.2 Compliance With Federal, State, Local Laws

Spa-Stributors shall comply with all federal, state, and local laws and regulations in the conduct of their businesses.

3.21 Minors

A person who is recognized as a minor in his or her state of residence may not be a Spa-Nique Spa-Stributor. Spa-Stributors shall not enroll or recruit minors into the Spa-Nique program.

3.22 No More than One Spa-Nique Business Per Spa-Stributor

A Spa-Stributor may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one unique Spa-Nique business. For purposes of clarification, no individual may have, operate or receive compensation from more than one unique Spa-Nique business (such as owning an interest in both a business entity Spa-Nique business as well as an individual Spa-Nique business), and as such, each unique Spa-Nique business must have its own unique Social Security Number or Federal Employer Identification Number, as applicable. For purposes of clarity, a unique Spa-Nique business shall mean a separate Spa-Nique business and shall not apply to additional Spa-Stributor Business Centers opened in accordance with the Spa-Nique Spa-Stributor Compensation Plan. Accordingly, any individual Spa-Nique business must be registered exclusively to the individual's Social Security Number and any business entity Spa-Nique business must be registered exclusively to that business' Federal Employer Identification Number. It is expressly prohibited to use a Federal Employer Identification Number on a Spa-Nique business which is not formally controlling the applicable Spa-Stributor Business Center, or for an individual to use a Federal Employer Identification Number for a Spa-Stributor Business Center in which they do not have a personal controlling interest. Notwithstanding the forgoing, owning common stock as a shareholder (including through a mutual fund) without receiving any other direct form of compensation shall not be deemed as having an ownership interest in such entity.

3.23 Actions of Household Members or Affiliated Individuals

If any member of a Spa-Stributor's immediate household engages in any activity which, if performed by the Spa-Stributor, would violate any provision of the Agreement, such activity will be deemed a violation by the Spa-Stributor and Spa-Nique reserves the right to take disciplinary action pursuant to the Statement of Policies against the Spa-Stributor. Similarly, if any individual associated in any way with a corporation, partnership, trust or other entity (collectively "affiliated individual") violates the Agreement, such action(s) will be deemed a violation by the entity, and Spa-Nique likewise reserves the right to take disciplinary action against the entity.

3.24 Requests for Records

Any request from a Spa-Stributor for hard copies of invoices, applications, Downline Activity Reports, or other records will require a fee of \$1.00 per page per copy. This fee covers the expense of mailing and time required to research files and make copies of the records.

3.25 Sale, Transfer or Assignment of a Spa-Nique Business

Although a Spa-Nique business is a privately owned, independently operated business, for the sale, transfer or assignment of a Spa-Nique business, the buyer and seller must act so as to minimize any disruption within the organization. If a Spa-Stributor wishes to sell or transfer his or her Spa-Nique business, the following criteria must be taken into account:

- ✦ Protection of the existing line of sponsorship must always be maintained so that the Spa-Nique business continues to be operated in that line of sponsorship.
- ✦ The buyer or transferee must be or become a Spa-Nique Spa-Stributor concurrent with the sale or transfer. However, if the buyer currently is, or within the prior four (4) months has been, an active Spa-Nique Spa-Stributor, he or she must first terminate his or her Spa-Nique business and wait six calendar months before acquiring any interest in the new Spa-Nique business.
- ✦ Before the sale, transfer or assignment can be finalized and approved by Spa-Nique, any debt obligations the selling Spa-Stributor has with Spa-Nique must be satisfied. This includes becoming current with any fees due if applicable. In addition, a Transfer request must be signed by both the transferring Spa-Stributor and the Spa-Stributor receiving the SBC, which specifies the existing placement and retention of the SBC in the genealogy. Once the transfer is completed, the SBC placement is considered fixed and will not be subject to any further movement, except in accordance with the terms of this section 3.25.

- ✦ The selling and acquiring Spa-Stributor must be in good standing and not in material violation of any of the terms of the Agreement for the preceding 12 months in order to be eligible to sell, transfer or assign a Spa-Nique business.

Prior to selling a Spa-Nique business, the selling Spa-Stributor must notify Spa-Nique's Spa-Stributor Operations Department of his or her intent to sell the Spa-Nique business and receive the Company's prior written approval. The buyer must also complete the entire Spa-Stributor Application and registration process. Upon transfer of the business, the buyer will be required to pay any fees associated with becoming a Spa-Stributor for the first time, or fees needed to bring the business to a current status. The Company reserves the right to deny any application for sale or transfer of a business in its final and sole discretion. For the avoidance of doubt, pre-existing SBCs may not be transferred to Double Star or above Diamond Spa-Stributors as a way of establishing a new SBC. A Spa-Stributor may not sell, transfer or assign individual business centers; if a business is sold, transferred or assigned, all business centers must be included in the transaction.

3.26 Separation of a Spa-Nique Business

Spa-Nique Spa-Stributors sometimes operate their Spa-Nique businesses as husband-wife partnerships, regular partnerships, corporations, or trusts. At such time as a marriage may end in divorce or a corporation, partnership or trust (the latter three entities are collectively referred to herein as "entities") may dissolve, arrangements must be made to assure that any separation or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other Spa-Stributors and the Company, Spa-Nique may involuntarily terminate the Spa-Stributor's Agreement.

During the divorce or entity dissolution process, the parties must adopt one of the following methods of operation:

- ✦ One of the parties may, with written consent of the other(s), operate the Spa-Nique business pursuant to an assignment in writing (a copy of which must be submitted to the Company) whereby the relinquishing spouse, shareholders, partners or trustees authorize Spa-Nique to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee; or
- ✦ The parties may continue to operate the Spa-Nique business jointly on a "business-as-usual" basis, whereupon all compensation paid by Spa-Nique will be paid according to the status quo as it existed prior to the divorce filing or dissolution proceedings. This is the default procedure if the parties do not agree on the format set forth above.

Under no circumstances will the downline organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will Spa-Nique split commission and bonus checks between divorcing spouses or members of dissolving entities. Spa-Nique will recognize only one downline organization and will issue only one commission check per Spa-Nique business per commission cycle. Commission checks shall always be issued to the same individual or entity. In the event that parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the business, the Spa-Stributor Agreement shall be involuntarily canceled.

If a former spouse has completely relinquished all rights in their original Spa-Nique business, they are immediately thereafter free to enroll under any sponsor of their choosing, and need not meet the waiting period requirements set forth in Section 3.5.4. In such case, however, the former spouse or partner shall have no rights to any Spa-Stributors in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new Spa-Stributor. In cases of business entity dissolutions, a former business entity partner, member, shareholder, or other affiliate who loses his or her interest in the Spa-Nique business must wait six months as specified in Section 3.5.4 before enrolling again as a Spa-Stributor.

3.27 Sponsoring

All active Spa-Stributors in good standing have the right to sponsor and enroll others into Spa-Nique. Each Prospective Customer or Spa-Stributor has the ultimate right to choose his or her own sponsor. If two Spa-Stributors

claim to be the sponsor of the same new Spa-Stributor or Customer, the Company shall regard the first properly completed application received by the Company as controlling. If a prospective Spa-Stributor contacts the Company and requests that a sponsor be assigned to him or her, the Company reserves the sole and final discretion on where to place the prospect within the genealogy. If a new Spa-Stributor enrolls without selecting a sponsor at the time of enrollment, the Company may either place or randomly assign the new Spa-Stributor within the genealogy in its sole and final discretion.

3.28 Succession

Upon the death or incapacitation of a Spa-Stributor, his or her business may be passed to his or her heirs, even if such successor is already a Spa-Nique Spa-Stributor. Accordingly, a Spa-Stributor should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a Spa-Nique business is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses and commissions of the deceased Spa-Stributor's marketing organization provided the following qualifications are met.

3.28.1 Transfer Upon Death of a Spa-Stributor

To effect a testamentary transfer of a Spa-Nique business, the successor must provide the following to Spa-Nique: (1) an original death certificate; (2) a notarized copy of the will or other instrument establishing the successor's legal right to the Spa-Nique business; and (3) a completed and executed Spa-Stributor Agreement by the successor. In the event the successor is currently a Spa-Nique Spa-Stributor, the successor Spa-Stributor will be granted an exception and allowed two Spa-Stributor Business Centers (SBCs).

3.28.2 Transfer Upon Incapacitation of a Spa-Stributor

To effectuate a transfer of a Spa-Nique business because of incapacity, the successor must provide the following to Spa-Nique: (1) a notarized copy of an appointment as trustee; (2) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the Spa-Nique business; and (3) a completed Spa-Stributor Agreement executed by the trustee.

3.28.3 Procedures

In all succession cases, the successor must:

- ✚ Execute a Spa-Stributor Agreement;
- ✚ Comply with terms and provisions of the Agreement;
- ✚ Meet all of the qualifications for the deceased Spa-Stributor's status;
- ✚ Bonus and commission checks of a Spa-Nique business transferred pursuant to this section will be paid in a single check jointly to the devisees. The devisees must provide Spa-Nique with an authorized trustee and an address of record to which all bonus and commission checks will be sent; and
- ✚ If the business is bequeathed to joint devisees, they must form a business entity and acquire a Federal Taxpayer Identification number or appoint a single recipient within 60 days from the date of the death of the deceased Spa-Stributor. If the business is placed into and remains in probate for a period of more than fifteen (15) days, the Company reserves the right to cancel the original Spa-Stributor Agreement. Spa-Nique will issue all bonus and commission checks and one IRS FORM 1099 MISC to the business entity.

3.29 Telemarketing Techniques

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have "do not call" regulations as part of their telemarketing laws. Although Spa-Nique does not consider Spa-Stributors to be "telemarketers" in the traditional sense of the word, these government regulations broadly define the term "telemarketer" and "telemarketing" so that your inadvertent action of calling someone whose telephone number is listed on the federal "do not call" registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties (including some penalties up to \$11,000 per violation). All penalties will be at the Spa-Stributor's sole expense and liability, including but not limited to, if assessed against Spa-Nique directly due to any Spa-Stributor's non-compliance.

Therefore, Spa-Stributors must not engage in prohibited telemarketing in the operation of their Spa-Nique businesses, and must not make repeat or harassing phone calls to Prospective Spa-Stributors or Customers. The term “telemarketing” means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Spa-Nique product or service, or to recruit them for the Spa-Nique Spa-Stributor Business Opportunity. “Cold calls” made to Prospective Customers or Spa-Stributors that promote either Spa-Nique’s products or services or the Spa-Nique Spa-Stributor Business Opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a Prospective Customer or Spa-Stributor (a “prospect”) is permissible under the following situations:

- ✚ If the Spa-Stributor has an established business relationship with the prospect. An “established business relationship” is a relationship between a Spa-Stributor and a prospect based on the prospect’s purchase, rental, or lease of goods or services from the Spa-Stributor, or a financial transaction between the prospect and the Spa-Stributor, within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect’s purchase of a product or service.
- ✚ The prospect’s personal inquiry or application regarding a product or service offered by the Spa-Stributor, within the three (3) months immediately preceding the date of such a call.
- ✚ If the Spa-Stributor receives written and signed permission from the prospect authorizing the Spa-Stributor to call. The authorization must specify the telephone number(s) which the Spa-Stributor is authorized to call.
- ✚ You may call family members, personal friends, and acquaintances. An “acquaintance” is someone with whom you have at least a recent first-hand relationship within the preceding three (3) months. Bear in mind, however, that if you make a habit of “card collecting” with everyone you meet and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if you engage in calling “acquaintances,” you must make such calls on an occasional basis only and not make this a routine practice.
- ✚ In addition, Spa-Stributors shall not use automatic telephone dialing systems relative to the operation of their Spa-Nique businesses. The term “automatic telephone dialing system” means equipment which has the capacity to:
 - (a) store or produce telephone numbers to be called, using a random or sequential number generator; and
 - (b) to dial such numbers.

3.30 Online Conduct

Spa-Stributors shall be expressly prohibited from engaging in any fraudulent, harassing, offensive or any other form of prohibited conduct on or through any online or electronic forum, including, without limitation, through blogs, message forums, web sites, text messages, instant messages, electronic mail, message boards and social networking sites.

3.31 Message Boards

No Spa-Stributor may use any electronic tools or forums or Web sites provided by Spa-Nique to advertise, promote, solicit or otherwise conduct any third-party businesses, activities, and/or any other third-party business opportunities at any time.

3.32 Online Auctions, Marketplaces, Social Networking, Keywords and Shop Sites

Spa-Stributors may not offer Spa-Nique products, memberships, or services on any online auction site, including but not limited to eBay, iOffer, and/or Craigslist, as well as any online marketplace, such as Amazon Marketplace or social networking sites such as MySpace and Facebook. Additionally, Spa-Stributors are expressly prohibited from buying or otherwise using any Keywords, Sponsored Links and/or Adword buys on any search engines, websites or any other online marketplaces. Similarly, Spa-Stributors are prohibited from listing or advertising on “shop sites” or similar product price search engines (such as Shopzilla or NextTag).

Spa-Stributors may use online marketplaces and social networking sites simply to advertise the Spa-Nique Spa-Stributor Business Opportunity but must always identify themselves as an Independent Spa-Nique Spa-Stributor in each of these forums. Similar to website advertising, any title or content of any social networking website, account or other forums cannot in any manner imply that the forum and/or its content is coming directly from or is in any manner sponsored or endorsed by the Company.

SECTION 4 RESPONSIBILITIES OF SPA-STRIIBUTORS

4.1 Change of Address or Telephone

To ensure timely delivery of products, support materials, and commission checks, it is critically important that Spa-Nique's files are current. Street addresses are required for shipping since UPS cannot deliver to a post office box. Spa-Stributors planning to move should send their new address and telephone numbers to Spa-Nique's Corporate Offices to the attention of the Spa-Stributor Relations Department. To guarantee proper delivery, two-weeks advanced notice must be provided to Spa-Nique on all changes.

4.2 Continuing Development Obligations

4.2.1 Ongoing Training

Any Spa-Stributor who sponsors another Spa-Stributor into Spa-Nique must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her Spa-Nique business. Spa-Stributors must have ongoing contact and communication with the Spa-Stributors in their downline organizations. Examples of such contact and communication may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Spa-Stributors to Spa-Nique meetings, training sessions, and other functions. Upline Spa-Stributors are also responsible to motivate and train new Spa-Stributors in Spa-Nique product knowledge, effective sales techniques, the Spa-Nique Spa-Stributor Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Spa-Stributors must not, however, violate Section 3.2 (regarding the development of Spa-Stributor-produced sales aids and promotional materials).

Spa-Stributors must monitor the Spa-Stributors in their downline organizations to ensure that downline Spa-Stributors do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every Spa-Stributor should be able to provide documented evidence to Spa-Nique of his or her ongoing fulfillment of the responsibilities of a sponsor.

4.2.2 Increased Training Responsibilities

As Spa-Stributors progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the Spa-Nique program. They may be called upon to share this knowledge with lesser-experienced Spa-Stributores.

4.2.3 Ongoing Sales Responsibilities

Regardless of their level of achievement, Spa-Stributors have an ongoing obligation to continue to personally promote sales through the generation of new Customers and through servicing their existing Customers.

4.3 Non-disparagement

Spa-Nique wants to provide its independent Spa-Stributors with the best products, compensation plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to the Spa-Nique Spa-Stributor Relations Department. Remember, to best serve you, we must

hear from you! While Spa-Nique welcomes constructive input, negative comments and remarks made in any forum (online, written or in the field) by Spa-Stributors about the Company, its products, or compensation plan serve no purpose other than to sour the enthusiasm of other Spa-Nique Spa-Stributors. For this reason, and to set the proper example for their downline, Spa-Stributors must not disparage, demean, or make negative remarks about Spa-Nique, other Spa-Nique Spa-Stributors, Spa-Nique's products, the Spa-Nique Spa-Stributor Compensation Plan, or Spa-Nique's directors, officers, or employees.

4.4 Providing Documentation to Applicants

Spa-Stributors must provide the most current version of the Policies and Procedures and the Spa-Nique Compensation Plan to individuals whom they are sponsoring to become Spa-Stributors before the applicant signs a Spa-Stributor Agreement. Additional copies of the most current Policies and Procedures can be downloaded from Spa-Nique's Web site.

4.5 Reporting Policy Violations or Fraudulent Activity

Spa-Stributors observing a Policy violation by another Spa-Stributor should submit a written report of the violation directly to the attention of the Spa-Nique Compliance Department. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report. Emails should be sent to Compliance@Spa-Nique.com

SECTION 5 SALES REQUIREMENTS

5.1 Product Sales

The Spa-Nique Spa-Stributor Compensation Plan is based on the sale of Spa-Nique products and services to end consumers. Spa-Stributors must fulfill ongoing personal and downline organization retail sales requirements (as well as meet other responsibilities set forth in the Agreement) to be eligible for bonuses, commissions and advancement to higher levels of achievement and to open and operate additional business centers. At least two-thirds of a Spa-Stributor's total monthly sales volume should be sold to personal retail, direct or preferred customers.

5.2 No Territory Restrictions

There are no exclusive territories granted to anyone.

5.3 Sales Receipts

All Spa-Stributors must provide their retail customers (direct orders not placed through the Spa-Stributor's Team Spa-Nique Web site) with two copies of an official sales receipt at the time of the sale. These receipts set forth the Customer Satisfaction Guarantee as well as any consumer protection rights afforded by federal or state law. If a Customer places an order through a Spa-Stributor's replicated Web site, the Customer should be advised to print two copies of their receipt. Spa-Stributors must maintain all retail sales receipts for a period of two years and furnish them to Spa-Nique at the Company's request for sales that are fulfilled from a Spa-Stributor's inventory. Records documenting the purchases of Spa-Stributors' Direct Customers will be maintained by Spa-Nique. In addition, Spa-Stributors must orally inform the buyer of his or her cancellation rights.

5.4 Fundraising Programs

Spa-Nique businesses may be operated for fundraising purposes. However, if you are using your Spa-Nique business in a fundraising program for any entity or individual, you must not represent or imply to anyone that any purchase they make from you will be for the benefit of any charitable purpose or program.

SECTION 6

BONUSES AND COMMISSIONS

6.1 Bonus and Commission Qualifications

A Spa-Stributor must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Spa-Stributor complies with the terms of the Agreement, Spa-Nique shall pay commissions to such Spa-Stributor in accordance with the Spa-Stributor Compensation Plan. The minimum amount for which Spa-Nique will issue a check is \$20.00. If a Spa-Stributor's bonuses and commissions do not equal or exceed \$20.00, the Company will accrue the commissions and bonuses until they total \$20.00. A check will be issued once \$20.00 has been accrued.

To qualify for applicable bonuses or commissions, Spa-Stributors must be at Active Status as defined in the Spa-Nique Spa-Stributor Compensation Plan until the end of the applicable qualification period. As such, compliance violations, disciplinary actions, submission of Business Center transfer requests, or other similar actions may result in the forfeiture of the applicable bonus and/or commission earned during such qualification period.

6.2 Adjustment to Bonuses and Commissions

6.2.1 Adjustments for Returned Products and Services

Spa-Stributors receive bonuses and commissions based on the actual sales of products and services to end consumers. When a product is returned to Spa-Nique for a refund or is repurchased by the Company, the bonuses and commissions attributable to the returned or repurchased product(s) will be deducted, in the month in which the refund is given, and continuing every pay period thereafter until the commission is recovered, from the Spa-Stributors who received bonuses and commissions on the sales of the refunded products. The Company may, at its discretion, also deduct the corresponding PV from Spa-Stributor's future purchases and sales.

6.3 Reports

All information provided by Spa-Nique in any Downline Activity Reports, including but not limited to personal and group sales volume (or any part thereof), and downline sponsoring activity is believed to be accurate and reliable. Nevertheless, due to various factors, including the inherent possibility of human and mechanical error, the accuracy, completeness, and timeliness of orders, denial of credit card and electronic check payments, returned products, credit card and electronic check charge-backs, the information is not guaranteed by Spa-Nique or any persons creating or transmitting the information.

ALL PERSONAL AND GROUP SALES VOLUME INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESS OR IMPLIED, OR REPRESENTATIONS OF ANY KIND WHATSOEVER. IN PARTICULAR BUT WITHOUT LIMITATION THERE SHALL BE NO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, OR NONINFRINGEMENT.

TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, SPA-NIQUE, ITS AFFILIATES, PARENT ENTITIES, SUBSIDIARIES, OFFICERS, DIRECTORS, REPRESENTATIVES, AGENTS, AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY SPA-STRICTOR OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF YOUR RELATIONSHIP WITH SPA-NIQUE AS AN INDEPENDENT SPA-STRICTOR, INCLUDING WITHOUT LIMITATION, ACCESS TO, OR LOSS OF, PERSONAL AND GROUP SALES VOLUME INFORMATION (INCLUDING BUT NOT LIMITED TO LOST PROFITS, BONUSES, OR COMMISSIONS, LOSS OF OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF SPA-NIQUE OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. TO THE FULLEST EXTENT

PERMITTED BY LAW, SPA-NIQUE OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE NO RESPONSIBILITY OR LIABILITY TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY OR OTHER THEORY WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO.

Access to and use of Spa-Nique's online and/or hard-copy reporting services, and your reliance upon such information, is at your own risk. All such information is provided to you "as is." If you are dissatisfied with the accuracy or quality of the information, your sole and exclusive remedy is to discontinue use of and access to Spa-Nique's online and telephone reporting services and your reliance upon the information.

The Company is not responsible for losses or damage incurred by Spa-Stributors that arise from or relate to problems with Spa-Nique's system or problems with a Spa-Stributor's replicated Web site, including losses from, but not limited to, losses from software error, hardware malfunction, unauthorized third-party access to the system, or other system malfunctions or errors. ANY AND ALL SOFTWARE, WEB SITES, ELECTRONIC TOOLS AND ANY OTHER SYSTEMS OFFERED OR PROVIDED BY SPA-NIQUE ARE EXPRESSLY PROVIDED SOLELY "AS IS" AND WITHOUT ANY WARRANTIES OR ASSURANCES OF ANY KIND. SPA-NIQUE MAKES NO WARRANTY THAT ANY SOFTWARE OR WEB SITE SYSTEM IS ERROR FREE AND DOES NOT INFRINGE ON ANY INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

SECTION 7 PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE

7.1 Product Guarantees, Returns and Inventory

In a effort to provide the best products and services to all Customers, Spa-Nique requires that all Spa-Stributors use Avalla products, and therefore, all product guarantees, returns and inventory repurchase policies are those provided by Avalla. Please review the specific guarantee with each applicable product.

7.2 Three-Day Sales Rescission Period

A retail customer who makes a purchase of \$25.00 or more has three business days (Saturday is a business day) after the sale or execution of a contract to cancel the order and receive a full refund consistent with the cancellation notice on the order form. When a Spa-Stributor makes a sale or takes an order from a retail customer who cancels or requests a refund within the 72-hour period, the Spa-Stributor must promptly refund the customer's money as long as the products are returned to the Spa-Stributor in substantially as good condition as when received. Additionally, Spa-Stributors must orally inform customers of their right to rescind a purchase or an order within 72 hours, and ensure that the date of the order or purchase is entered on the order form. All retail customers must be provided with two copies of an official sales receipt at the time of the sale. The back of the receipt provides the customer with written notice of his or her rights to cancel the sales agreement.

7.3 Return of Products and Sales Aids by Spa-Stributors

Upon cancellation of a Spa-Stributor's Agreement, the Spa-Stributor may return products and sales aids held in his or her inventory for a refund. A Spa-Stributor may only return products and sales aids that he or she personally purchased and which are in Resalable Condition. Upon receipt of the products and sales aids, the Spa-Stributor will be reimbursed 90% of the net cost of the original purchase price(s), less shipping charges. If the purchases were made through a credit card, the refund will be credited back to the same account. If a Spa-Stributor was paid a commission based on a product(s) purchase, and such product(s) is subsequently returned for a refund, the commission that was paid to the Spa-Stributor will be deducted from the amount of the refund.

7.3.1 Montana Residents

A Montana resident may cancel his or her Spa-Stributor Agreement within 15 days from the date of enrollment, and may return his or her starter kit for a full refund within such time period.

SECTION 8 DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

8.1 Disciplinary Sanctions

Violation of the Agreement, including these Policies and Procedures, violation of any common law duty, including but not limited to any applicable duty of loyalty, any illegal, fraudulent, deceptive or unethical business conduct, or any act or omission by a Spa-Stributor that, in the sole discretion of the Company, may damage its reputation or goodwill, may result, at Spa-Nique's discretion, in one or more of the following corrective measures:

- ✦ Issuance of a written warning or admonition.
- ✦ Requiring the Spa-Stributor to take immediate corrective measures.
- ✦ Imposition of a fine, which may be withheld from bonus and commission checks.
- ✦ Loss of rights to one or more bonus and commission checks.
- ✦ Spa-Nique may withhold from a Spa-Stributor all or part of the Spa-Stributor's bonuses and commissions during the period that Spa-Nique is investigating any conduct allegedly violative of the Agreement. If a Spa-Stributor's business is canceled for disciplinary reasons, the Spa-Stributor will not be entitled to recover any commissions withheld during the investigation period.
- ✦ Suspension of the individual's Spa-Stributor Business Center for one or more pay periods.
- ✦ Involuntary termination of the offender's Spa-Stributor Business Center.
- ✦ Any other measure expressly allowed within any provision of the Agreement or which Spa-Nique deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Spa-Stributor's policy violation or contractual breach.
- ✦ In situations deemed appropriate by Spa-Nique, the Company may institute legal proceedings for monetary and/or equitable relief.

Spa-Nique reserves the right to implement disciplinary action for a violation of the Agreement without notice to the offending Spa-Stributor. However, should Spa-Nique notify a Spa-Stributor that he or she is in violation of the Agreement, the Spa-Stributor shall immediately take all actions necessary to rectify the violation. Notwithstanding any other provision set forth in the Agreement, Spa-Nique may suspend or, if necessary, terminate any offender's Spa-Stributor Business Center to investigate or prevent any fraud, illegal activity or violation of the Spa-Stributor Agreement.

8.1.1 Liquidated Damages Due to Material Breach

Spa-Nique and each Spa-Stributor expressly acknowledge and agree that it would be impracticable and extremely difficult to ascertain the precise amount of actual damages caused by the Spa-Stributor's material breach of this Agreement. Accordingly, if the Spa-Stributor materially breaches this Agreement, such Spa-Stributor shall pay to Spa-Nique, as liquidated damages, a sum of Ten Thousand Dollars (\$10,000) for each material breach. Spa-Nique and each Spa-Stributor further acknowledge and agree that this liquidated damages provision represents reasonable compensation for the loss which would be incurred by Spa-Nique, and is not intended as a punishment, or otherwise a penalty or punitive in nature. Nothing in this provision is intended to limit Spa-Nique's right to obtain any additional relief to which it would be entitled in accordance with the terms of this Agreement and applicable law, including injunctive relief, recovery of attorneys' fees and associated costs and if applicable, other monetary relief.

8.2 Grievances and Complaints

When a Spa-Stributor has a grievance or complaint with another Spa-Stributor regarding any practice or conduct in relationship to their respective Spa-Nique businesses, the complaining Spa-Stributor should first report the problem to his or her sponsor who should review the matter and, if the matter does not involve the interpretation of the Policies and Procedures, try to resolve it with the other party's upline sponsor. If the matter cannot be resolved, or if it requires an interpretation of the Policies and Procedures, it must be reported in writing to the Spa-Stributor Relations Department at the Company. The Compliance Department will review the facts and resolve the issue.

8.3 Choice of Law

This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of laws.

8.4 Arbitration

If the dispute is not resolved through mediation in accordance with section 8.4, above, the parties may proceed to resolve any and all disputes and claims relating to Spa-Nique, the Spa-Stributor Agreement, the Spa-Nique Spa-Stributor Compensation Plan or its products and services, the rights and obligations of an independent Spa-Stributor and Spa-Nique, or any other claims or causes of action relating to the performance of either an independent Spa-Stributor or Spa-Nique under the Agreement or the Policies and Procedures shall be settled totally and finally by arbitration exclusively in Allegheny County, Commonwealth of Pennsylvania or such other location as Spa-Nique prescribes, in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association, except that all parties shall be entitled to discovery rights allowed under the Federal Rules of Civil Procedure and the Federal Rules of Evidence shall apply. All issues related to arbitration shall be governed by the Federal Arbitration Act. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. Each party shall be responsible for its own costs and expenses of mediation and arbitration, including but not limited to legal and filing fees. Nothing in these Policies and Procedures shall prevent Spa-Nique from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction or other relief available to safeguard and protect Spa-Nique's interest prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

8.5 Jurisdiction and Venue

This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of laws.

8.5.1 Louisiana Residents

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

SECTION 9 PAYMENT AND SHIPPING

9.1 Returned Checks

All checks returned by a Spa-Stributor's bank for insufficient funds will be resubmitted for payment. A \$25.00 returned check fee will be charged to the account of the Spa-Stributor. After receiving a returned check from a Customer or a Spa-Stributor, all future orders must be paid by credit card, money order or cashier's check. Any

outstanding balance owed to Spa-Nique by a Spa-Stributor for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.

9.2 Sales Taxes

In designing the Spa-Nique Spa-Nique Spa-Stributor Business Opportunity, one of our guiding philosophies has been to free Spa-Stributors from as many administrative, operational, and logistical tasks as possible. In doing so, Spa-Stributors are free to concentrate on those activities that directly affect their incomes, namely product sales and enrollment activities. To these ends, Spa-Nique relieves Spa-Stributors of the burdens of collecting and remitting sales taxes, filing sales tax reports, and keeping records relative to sales taxes.

By virtue of its business operations, Spa-Nique is required to charge sales taxes on all purchases made by Spa-Stributors and Customers, and remit the taxes charged to the respective states. Accordingly, Spa-Nique will collect and remit sales taxes on behalf of Spa-Stributor, based on the sales price of the products, according to applicable tax rates in the state or province to which the shipment is destined. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by Spa-Nique is not retroactive.

SECTION 10 INACTIVITY, RECLASSIFICATION AND CANCELLATION

10.1 Effect of Cancellation

So long as a Spa-Stributor remains active and complies with the terms of the Spa-Stributor Agreement and these Policies and Procedures, Spa-Nique shall pay commissions to such Spa-Stributor in accordance with the Spa-Nique Spa-Stributor Compensation Plan. A Spa-Stributor's bonuses and commissions constitute the entire consideration for the Spa-Stributor's efforts in generating sales and all activities related to generating sales (including, but not limited to, building, training, and maintaining a downline organization). Following a Spa-Stributor's non-renewal of his or her Spa-Stributor Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Spa-Stributor Agreement (all of these methods are collectively referred to as "cancellation"), the former Spa-Stributor shall have no right, title, claim or interest in the marketing organization which he or she operated, or any commission or bonus from the sales generated by the organization. A Spa-Stributor whose business is cancelled will lose all rights as a Spa-Stributor. This includes the right to sell Spa-Nique products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Spa-Stributor's former downline sales organization. In the event of cancellation, Spa-Stributors agree to waive all rights they may have, including but not limited to property rights, to their former downline organization and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former downline organization.

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

10.2 Reclassification Following Cancellation Due to Inactivity or Nonpayment of Business Services Fees

If a Spa-Stributor is not current with the payment of his or her Business Services fees, then the Spa-Stributor will not be deemed "Current" and will not be eligible to receive any bonuses, commissions or any other payments due to the

Spa-Stributor pursuant to the Agreement. If the applicable Spa-Stributor does not make payment in full to the Company of the outstanding Business Services fees to become Current, then any and all held bonuses, commissions or any other payments due to such Spa-Stributor exceeding three (3) weeks shall be permanently waived and forfeited. Without limitation of the foregoing, if any Spa-Stributor has not paid their Business Services fees for either three (3) consecutive months or any four (4) times in any twelve (12) month period, the Spa-Stributor's Independent Spa-Stributor Agreement will be Cancelled for Inactivity, and the Spa-Stributor will be reclassified as a Customer. For any such Cancellations for Inactivity, the prior Spa-Stributor may petition Spa-Nique for reinstatement in less than the standard six (6) month period within thirty (30) days of cancellation; provided that reinstatement will only be granted in Spa-Nique's sole discretion and if granted, the Spa-Stributor must start his or her business anew and be placed under his or her prior sponsor, and will not be entitled to his or her prior position in the genealogy.

Notwithstanding the foregoing, a Spa-Stributor may petition Spa-Nique to place the Spa-Stributor's account on hold during very limited extraordinary and exceptional circumstances, provided that, any such approval, rejections or conditions shall be made within Spa-Nique's final and sole discretion.

10.3 Involuntary Cancellation

A Spa-Stributor's violation of any of the terms of the Agreement, including any amendments that may be made by Spa-Nique in its sole discretion, may result in any of the sanctions listed in Section 8.1, including the involuntary cancellation of his or her Spa-Stributor Agreement. Cancellations for Policy and Procedure and Spa-Stributor behavior violations shall be effective on the date on which written notice is mailed, faxed, or delivered to an express courier, to the Spa-Stributor's last known address (or fax number), or to his or her attorney, or when the Spa-Stributor receives actual notice of cancellation, whichever occurs first. For Account maintenance violations, such as account verification or Business Services Fees violations, Spa-Stributors will be given 72 hours to resolve the issue before their account is placed into suspension, including a forfeiture of any pending or future commissions or bonus payments. Upon commencement of the suspension period of the Spa-Stributor's account, the Spa-Stributor will have ten (10) days to properly resolve the account maintenance violation, or the account will be permanently terminated.

Spa-Nique reserves the right to terminate all Spa-Stributor Agreements upon thirty (30) days written notice in the event that it elects to: (1) cease business operations; (2) dissolve as a corporate entity; or (3) terminate distribution of its products via direct selling.

10.4 Voluntary Cancellation

A Spa-Stributor has the right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the Spa-Stributor's signature, printed name, address, and Spa-Stributor I.D. Number.

10.5 Non-Renewal

A Spa-Stributor may also voluntarily cancel his or her Spa-Stributor Agreement by failing to renew the Agreement on its anniversary date. The Company may also elect not to renew a Spa-Stributor's Agreement upon its anniversary date.

10.6 Disposition of Spa-Stributor's Genealogy Position, Customers and Spa-Stributors Upon Cancellation

When a Spa-Stributor's SBC is cancelled for any of the reasons stated above, the following actions are taken:

- ✚ The Spa-Stributor's rank is changed to Cancelled
- ✚ All Active Home Direct programs for the cancelled Spa-Stributor will be cancelled
- ✚ The personally enrolled Customers (and their active Home Direct programs) of the Spa-Stributor are moved to the first non-cancelled upline Spa-Stributor (up the genealogy line, not necessarily the Personal Sponsor of the cancelled Spa-Stributor).

- ✚ The Spa-Stributors personally sponsored by the cancelled Spa-Stributor are assigned to the Personal Sponsor of the cancelled Spa-Stributor
- ✚ If the cancelled Spa-Stributor has only one downline Spa-Stributor (in either the right or left leg) on the first level, that downline Spa-Stributor will be moved up into the cancelled Spa-Stributor's position
- ✚ If the cancelled Spa-Stributor has Spa-Stributors in both downline Spa-Stributor positions (in both left and right legs) in their first level, then no change in positions will be made, and the cancelled Spa-Stributor's position will be marked as Cancelled.