

# SendOutCards

## STATEMENT OF POLICIES

*and*

## PROCEDURES

*January 2012*

### SECTION 1 - CORPORATE MISSION STATEMENT

*Treat People Right!!!*

### SECTION 2 - INTRODUCTION

#### 2.1 - Policies and Compensation Plan Incorporated into Distributor Agreement

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

#### 2.2 - Purpose of Policies

SendOutCards is a direct sales company that markets products and services through Independent Distributors. It is important to understand that your success and the success of your fellow distributors is dependent upon the integrity and personal effort of the men and women who market our products and services. To clearly define the relationship that exists between Distributors and SendOutCards, and to explicitly set a standard for acceptable business conduct, SendOutCards has established the Agreement.

SendOutCards Distributors are required to comply with all of the Terms and Conditions set forth in the Agreement which SendOutCards may amend at its sole discretion from time to time, as well as all federal, state, and local laws governing their SendOutCards 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 SendOutCards.

#### 2.3 - Changes to the Agreement

Because federal, state, and local laws, as well as the business environment, periodically change, SendOutCards reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Distributor Agreement, a Distributor agrees to abide by all amendments or modifications that SendOutCards elects to make. Amendments shall be effective upon notice to all distributors that the Agreement has been modified. Notification of amendments shall be published in official SendOutCards materials. The Company shall provide or make available to all distributors a complete copy of the amended provisions by posting on the Company's official web site and/or electronic mail (e-mail). The continuation of a Distributor's SendOutCards business or a Distributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

#### 2.4 - Delays

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

#### 2.5 - Policies and Provisions Severable

If any provision of the Agreement, in its current form or as may be amended, is found to be invalid, or unenforceable for any reason, only the invalid portion(s) of the provision shall be severed and the remaining terms and provisions

shall remain in full force and effect and shall be construed as if such invalid, or unenforceable provision never comprised a part of the Agreement.

## 2.6 - Waiver

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

The existence of any claim or cause of action of a Distributor against SendOutCards shall not constitute a defense to SendOutCards' enforcement of any term or provision of the Agreement.

## SECTION 3 - BECOMING A DISTRIBUTOR

### 3.1 - Requirements to Become a Distributor

To become a SendOutCards Distributor, each applicant must:

- 3.1.1 - Be at least 18 years of age;
- 3.1.2 - Reside in the United States or U.S. Territories;
- 3.1.3 - Have a valid Social Security, Federal Tax ID number, and submit a US IRS form W-9;
- 3.1.4 - Purchase a SendOutCards Distributor Kit (not applicable where prohibited by law);
- 3.1.5 - Submit a properly completed and signed Distributor Application and Agreement or submit an online agreement from the Company's website at [www.sendoutcards.com](http://www.sendoutcards.com); and
- 3.1.6 - Agree to use his or her best efforts to sell and promote SendOutCards and its products and services; and
- 3.1.7 - INTERNATIONAL RESIDENTS – International Residents are welcome to sign up with SendOutCards under the condition that they meet the requirement of section 3.1.1 of Policies and Procedures and are aware that:
  - 3.1.7.1 All prices and commissions are always stated in US dollars in all SendOutCards materials (unless specifically stated otherwise).
  - 3.1.7.2 You may refer other international residents to signup with SendOutCards as customers or distributors ONLY if that country is designated as OPEN for business by SendOutCards.
  - 3.1.7.3 ALL International residents are distributors who sign up with SendOutCards AGREE they are signing up under US laws and regulations with SendOutCards accepting and making such sales and contracts in the U.S.
  - 3.1.7.4 All international residents agree to provide two (2) forms of Identification information to SendOutCards to be accepted as distributors. Such Identification shall include Citizens ID#, or valid passport#, or valid driver's license number.
  - 3.1.7.5 All international residents agree that to be eligible for commissions, they will file with SendOutCards, a US IRS W-8BEN for claiming exemption from US withholding on commissions and provide a valid email address.
  - 3.1.7.6 Any income taxes required to be reported to or paid to the home country of the distributor on commissions paid are wholly the responsibility of the distributor receiving such commissions and NOT the responsibility of SendOutCards.
  - 3.1.7.7 All international residents understand some aspect of the commission plan available in the US may not be available nor offered by SendOutCards in every country. Specifically, Fund Raising Kits and activities, booths, and shows are NOT allowed in locations other than the US. In addition, Treat'emRight Seminars may be offered on a FREE basis in some countries, and where offered for free, no commissions or compensation will be paid for Free Attendees.
  - 3.1.7.8 Prices charged to International residents for delivery to international locations may be adjusted for basic products, shipping and handling and to include sales taxes (including VAT, GST, or any other value added tax) as required by local laws for supply of materials based on internet sales and location of supply.

3.1.7.9 If you elect to retail products from your SendOutCards account in your country and engage in retail sales, you are responsible for any Sales or other taxes (GST/HST/VAT/IVA) to be collected and must remit these on your own to your countries tax authorities.

The Company reserves the right to reject any applications for a new Distributor or applications for renewal.

### 3.2 - New Distributor Registration

A Sponsor or a potential new Distributor may call the SendOutCards home office during regular business hours to receive a Distributor Identification Number. A new Distributor Kit must be ordered at this time using a valid credit card. A properly completed Distributor 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 Distributor Application and Agreement is received by the company. Applicants who enroll on-line will receive a Distributor Identification Number immediately and/or e-mailed to them via auto-responder.

### 3.3 - Distributor Benefits

Once a Distributor Application and Agreement has been accepted by SendOutCards, the benefits of the Marketing and Compensation Plan and the Distributor Agreement are available to the new Distributor. These benefits include the right to:

- 3.3.1 - Purchase SendOutCards products and services at the Distributor price;
- 3.3.2 - Retail SendOutCards products or resell services, which are described in the SendOutCards product catalog and profit from these sales;
- 3.3.3 - Participate in the SendOutCards Marketing and Compensation Plan (receive bonuses and commissions, if eligible);
- 3.3.4 - Sponsor other individuals as Customers or Distributors into the SendOutCards business and thereby, build a marketing organization and progress through the SendOutCards Marketing and Compensation Plan;
- 3.3.5 - Receive periodic SendOutCards literature and other SendOutCards communications;
- 3.3.6 - Participate in SendOutCards-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- 3.3.7 - Participate in promotional and incentive contests and programs sponsored by SendOutCards for its Distributors.

### 3.4 - Renewal of Your SendOutCards Business

The term of the Distributor Agreement is one year from the date of its acceptance by SendOutCards. Distributors must renew their Distributor Agreement each year by paying an annual renewal fee as determined by the Company on or before the anniversary date of their Distributor Agreement. If the renewal fee is not paid within 30 days after the expiration of the current term of the Distributor Agreement, the Distributor Agreement will be canceled. Distributors may elect to utilize the Automatic Renewal Program (“ARP”). Under the ARP, the renewal fee may be: (a) deducted from the Distributor’s bonus check for the anniversary month of the Distributor Agreement; or (b) charged to the Distributor’s credit card or checking account. SendOutCards may elect to not renew any distributorship for any reason it deems to be in the best interest of the Company, its customers and other distributors. Distributors who fail to renew will be terminated, moved to non-active status, or converted to an appropriate customer account, based on the purchase of a card sending account. Once converted a former Distributor may re-upgrade to Distributor status or re-activate their account by paying the renewal within 30 days of the change of status. If the Distributor re-upgrades within the 30 day time frame they may request any former downline or customers to be restored to their account. If a former Distributor wishes to re-upgrade after the 30 days they will be required to purchase a new Distributor program and no restoration of downline or customers will be allowed.

## SECTION 4 - OPERATING A SENDOUTCARDS BUSINESS

### 4.1 - Adherence to the SendOutCards Marketing and Compensation Plan

Distributors must adhere to the terms of the SendOutCards Marketing and Compensation Plan as set forth in official SendOutCards literature. Distributors shall not offer the SendOutCards opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official SendOutCards literature. Distributors shall not require or encourage other current or prospective Customers or Distributors to participate in SendOutCards in any manner that varies from the program as set forth in official SendOutCards literature. Distributors shall not require or encourage other current or prospective Customers or Distributors to execute any agreement or contract other than official SendOutCards agreements and contracts in order to become a SendOutCards Distributor. Similarly, Distributors shall not require or encourage other current or prospective Customers or Distributors to make any purchase from, or payment to, any individual or other entity to participate in

the SendOutCards Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in official SendOutCards literature. This includes, but is not limited to, incentives and promotional offers not sanctioned in writing by SendOutCards.

## 4.2 - Advertising

### 4.2.1 - General

All Distributors shall safeguard and promote the good reputation of SendOutCards and its products. The marketing and promotion of SendOutCards, the SendOutCards opportunity, the Marketing and Compensation Plan, and SendOutCards products and services shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. If a Distributor wishes to utilize any of the Company's products or services to promote the sale of the Company's products or services, or to promote the SendOutCards business, the Distributor must utilize one of the marketing and advertising text messages approved by the Company. If a Distributor wishes to create their own advertising material, he or she must submit all written sales aids, promotional materials, advertisements, and other literature (including proposed Internet advertising) to the Company for approval. Unless the Distributor receives specific written approval, with a valid approval number, to use the material, the request shall be deemed denied. Approval is automatically discontinued if there is any alteration of any kind to an approved item.

### 4.2.2 – SendOutCards Logos, Imagery and Text

Distributors may use the SendOutCards Independent Distributor logos available for download at the Company's official website for approved advertising and promotional services. SendOutCards slogans, imagery, text on publicly viewable and back end or logged in pages, promotional materials, brochures, signs and other documentation are not permissible to be used by Distributors without written approval from the company. Approval may be discontinued at any time by the company. Approval is automatically discontinued if there is any alteration of any kind to an approved item.

### 4.2.3 - Distributor Web Sites

Distributors may not utilize, in any fashion, any self published or purchased web site for the sale, marketing, and promotion of SendOutCards. If a Distributor desires to utilize an Internet web page to promote his or her business, he or she may do so through the Company's official web sites, using official SendOutCards replicated sites only. SendOutCards has produced promotional websites that will be offered, as part of certain distributor kits, and renewal fees, to any authorized distributor of SendOutCards. Said websites will be the only websites that can be utilized by a SendOutCards distributor. A list of available replicated web sites may be found in official SendOutCards literature or on the company's web site.

Web sites produced for recognition and training of Distributors ("Training" sites) may be authorized under the following guidelines. Training websites must be approved by SendOutCards, which approval shall be granted in its sole discretion, and meet the following minimum criteria:

- 1) You must be an Executive ranked Distributor or above and have served on an Eagles Nest to submit a training website to SendOutCards for approval;
- 2) Your site must be passcode protected and available to any SendOutCards Distributor that desires to use it; and
- 3) You cannot charge a fee for access to your training site.

SendOutCards prefers that all training be conducted through official and approved programs. Our philosophy is to bring successful Distributors together with a common cause to help others find success.

### 4.2.4 - Domain Names

Distributors may not use or attempt to register any of SendOutCards' trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain name. For example sallysendoutcards.com, SOC.com, sendoutcardsinc.com etc. Registered domain names that violate this policy must be released to SendOutCards Corporate.

If a distributor wishes to utilize a domain name which contains or implies one of the above they may make a request using the form provided on the Company's web site.

This policy further applies to any purchased Ad Words for search engine placement or sponsored links on any web site. This policy also applies to meta tags and / or non-purchased search engine optimization.

#### 4.2.5 - Trademarks and Copyrights

SendOutCards will not allow the use of its trade names, trademarks, designs, or symbols by any person, including a SendOutCards Distributor, without its prior, written permission. Distributors may not produce for sale or distribution any recorded Company events and speeches without written permission from SendOutCards nor may Distributors reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

#### 4.2.6 - Media and Media Inquiries

Distributors must not attempt to respond to media inquiries regarding SendOutCards, its products or services, or their independent SendOutCards business. All inquiries by any type of media must be immediately referred to SendOutCards' Marketing Department. This policy is designed to assure that accurate and consistent information is provided to the public as well as a proper public image. Any television, radio, or other media appearances must be approved and conducted through SendOutCards' Marketing Department utilizing the approval process outlined in section 4.2.1 above.

#### 4.2.7 - Spamming and Unsolicited Faxes

Except as provided in this section, Distributors may not use or transmit unsolicited faxes, mass e-mail distribution, unsolicited e-mail, or "spamming" or use an automatic telephone dialing system relative to the operation of their SendOutCards 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" and "unsolicited e-mail" mean the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting SendOutCards, its products, its compensation plan or any other aspect of the company which is transmitted to any person.

SendOutCards has a zero tolerance policy in regards to sending unsolicited (email/fax/pages/news) messages. The sending of unsolicited messages will result in the -IMMEDIATE- termination of your SendOutCards Distributorship and account, and possibly legal action. If a distributorship is terminated for this reason no refunds or credits will be given, and in accordance with the above policy fees will be applied to the credit card on file. Messages sent by a SendOutCards Distributor requires adherence to all of the following policies:

1) The sender of bulk email must use, at a minimum, a double opt-in method to confirm recipients indeed want to receive bulk email from you. Claiming the recipients have an existing relationship with you, or a "partner," is not acceptable. By "double opt-in" we mean:

An individual must first ask to be added to your list. Upon receiving the request, you must immediately email them back and ask them to confirm their subscription by replying to the email and indicating their willingness to receive additional messages. This confirmation must use an email address authentication scheme that prevents recipients from being signed up for lists by anyone other than themselves. If bulk email is sent without this confirmation from the recipient, the sender is considered to be in violation of SendOutCards' policy.

2) The sender of bulk email must be able to prove that the recipient contacted the sender to request that such messages be received in advance of the bulk mailing. You cannot include email addresses that were acquired from "partners."

3) SendOutCards requires distributors who send bulk email to maintain a database that contains the following information about the recipient list:

- \*Date and time of the recipient's request to be added to your list
- \*IP address that the customer made the request from, (if applicable)

4) Upon request, the sender of bulk email must be able to provide both SendOutCards and the recipient with the above information within one business day.

5) Unsubscribe information should be available at the bottom (or top) of each message that is sent out. The sender of the list must act upon all unsubscribe requests within one business day. All unsubscribe requests must also be processed before additional mailings are sent out.

#### 4.2.8 Use of Social Media

**Social Media Definition** – Any type of online media that invites expedites or permits conversation, comment, rating, and/or user generated content, as opposed to traditional media, which delivers content but does not allow readers/viewers/listeners to participate in the creation or development of content, or the comment or response to content. Examples of Social Media include, but are not limited to, blogs, Facebook, MySpace, Twitter, LinkedIn, Delicious, and YouTube.

### **Social Media Use**

Social Media may be used by Distributors. However, Distributors who elect to use Social Media must adhere to the requirements set forth in this subsection as well as SendOutCards' policies relating to Advertising and Unauthorized Claims.

### **Distributors Are Responsible for Postings**

Distributors are personally responsible for their postings and all other online activity that relates to SendOutCards. Therefore, even if a Distributor does not own or operate a blog or Social Media site, if a Distributor posts to any such site that relates to SendOutCards or which can be traced to SendOutCards, the Distributor is responsible for the posting. Distributors are also responsible for postings which occur on any blog or Social Media site that the Distributor owns, operates, or controls.

### **Identification as an Independent SendOutCards Distributor**

You must disclose your full name on all Social Media postings, and conspicuously identify yourself as an Independent Distributor for SendOutCards. Anonymous postings or use of an alias is prohibited. (For example Sally Johnson SendOutCards Independent Distributor)

### **Social Media as a Sales and Promotion Forum**

Social Media sites are relationship-building sites. While building relationships is an important part of the sales process, Social Media sites may not be used as a direct medium for generating sales or explaining the SendOutCards income opportunity. Online sales may only be generated from a Distributor's SendOutCards replicated web site. Likewise, Distributors shall not use any Social Media site to explain the SendOutCards compensation plan or any component of the compensation plan.

### **Posting Links to Replicated Web Sites**

Distributors may post links to their replicated web site within the defined area designated by the Social Media site for a personal web site address. Distributors may also post a link to their replicated web site within a post as long as the post has been pre-approved and/or is listed on SendOutCards web site or in SendOutCards marketing materials as an approved Social Media Advertisement. Distributors may also submit their own text for approval prior to posting to a Social Media site.

### **Use of SendOutCards Logo**

Distributor may use the SendOutCards Independent Distributor logo in their postings as long as they are using an approved message. Distributors may also use the SendOutCards Independent Distributor logo as one of their images or in an image that represents their account (i.e. an avatar) as long as it conforms to the policies and procedures and is approved as an advertisement.

### **Deceptive Postings**

Postings that are false, misleading, or deceptive are prohibited. This includes, but is not limited to, false or deceptive postings relating to the SendOutCards income opportunity, SendOutCards' products and services, and/or your biographical information and credentials.

### **Use of Third Party Intellectual Property**

If you use the trademarks, trade names, service marks, copyrights, or intellectual property of any third party in any posting, it is your responsibility to ensure that you have received the proper license to use such intellectual property, and paid the appropriate license fee. All third-party intellectual property must be properly referenced as the property of the third-party, and you must adhere to any restrictions and conditions that the owner of the intellectual property places on the use of its property.

### **Respecting Privacy**

Always respect the privacy of others in your postings. Distributors must not engage in gossip or advance rumors about any individual, company, or competitive products or services. Distributors may not list the names of other individuals or entities on their postings unless they have the written permission of the individual or entity that is the subject of their posting.

### **Professionalism**

You must ensure that your postings are truthful and accurate. This requires that you fact-check all material you post online. You should also carefully check your postings for spelling, punctuation, and grammatical errors. Use of offensive language is prohibited.

## Prohibited Postings

Distributors may not make any posting, or link to any postings or other material that:

- Is sexually explicit, obscene, or pornographic;
- Is offensive, profane, hateful, threatening, harmful, defamatory, libelous, harassing, or discriminatory (whether based on race, ethnicity, creed, religion, gender, sexual orientation, physical disability, or otherwise);
- Is graphically violent, including any violent video game images;
- Is solicitous of any unlawful behavior;
- Engages in personal attacks on any individual, group, or entity;
- Is in violation of any intellectual property rights of the Company or any third party.

## Responding to Negative Posts

Do not converse with one who places a negative post against you, other independent Distributors, or SendOutCards. Report negative posts to the Company at [compliance@sendoutcards.com](mailto:compliance@sendoutcards.com). Responding to such negative posts often simply fuels a discussion with someone carrying a grudge that does not hold themselves to the same high standards as SendOutCards, and therefore damages the reputation and good will of SendOutCards.

## Cancellation of Your SendOutCards Business

If your SendOutCards business is cancelled for any reason, you must discontinue using the SendOutCards name, and all of SendOutCards' trademarks, trade names, service marks, and other intellectual property, and all derivatives of such marks and intellectual property, in any postings and all Social Media sites that you utilize. If you post on any Social Media site on which you have previously identified yourself as an Independent SendOutCards Distributor, you must conspicuously disclose that you are no longer an Independent SendOutCards Distributor.

### 4.3 - Bonus Buying Prohibited

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

### 4.4 - Business Entities

A corporation, partnership or trust (collectively referred to in this section as a "Business Entity") may apply to be a SendOutCards Distributor by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the "Entity Documents") to SendOutCards, along with a properly completed Business Entity Registration form. A SendOutCards 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 Distributor 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 SendOutCards.

### 4.5 - Changes to a SendOutCards Business

#### 4.5.1 - General

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

#### 4.5.2 - Addition of Co-Applicants

When adding a co-applicant (either an individual or a business entity) to an existing SendOutCards business, the Company requires both a written request as well as a properly completed Distributor Application and Agreement containing the applicant and co-applicant's Social Security Numbers and signatures. To prevent the circumvention of Section 4.26 (regarding transfers and assignments of SendOutCards business), the original applicant must remain as a

party to the original Distributor Application and Agreement. If the original Distributor wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with Section 4.26. If this process is not followed, the business shall be canceled upon the withdrawal of the original Distributor. All bonus and commission checks will be sent to the address of record of the original Distributor. 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 4.5.3, below. SendOutCards may, at its discretion, require notarized documents before implementing any changes to a SendOutCards business. Please allow thirty (30) days after the receipt of the request by SendOutCards for processing.

#### 4.5.3 - Change of Sponsor

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

#### 4.5.4 – Distributor and Customer Move Requests

A Distributor or Customer may be moved from one sponsor to another sponsor within ten (10) days of enrollment only if an error was made during the initial enrollment process and incorrect information was entered. After the ten day period no Distributor or Customer Moves may take place. Exceptions may be made by SendOutCards if a life threatening situation occurs.

### 4.6 - Unauthorized Claims and Actions

#### 4.6.1 - Indemnification

A Distributor is fully responsible for all of his or her verbal and written statements made regarding SendOutCards products, services, and the Marketing and Compensation Plan which are not expressly contained in official SendOutCards materials. Distributors agree to indemnify SendOutCards and SendOutCards' 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 SendOutCards as a result of the Distributor's unauthorized representations or actions. This provision shall survive the termination of the Distributor Agreement.

#### 4.6.2 - Income Claims

In their enthusiasm to enroll prospective Distributors, some Distributors are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new Distributors may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At SendOutCards, we firmly believe that the SendOutCards income potential is great enough to be highly attractive, without reporting the earnings of others.

Moreover, the Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Distributors may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact SendOutCards as well as the Distributor making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because SendOutCards Distributors do not have the data necessary to comply with the legal requirements for making income claims, a Distributor, when presenting or discussing the SendOutCards opportunity or Marketing and Compensation Plan to a prospective Distributor, may not make income projections, income claims, or disclose his or her SendOutCards income (including the showing of checks, copies of checks, bank statements, or tax records).

### 4.7 - Commercial Outlets

SendOutCards strongly encourages the retailing and selling of its products and services through person to person contact. In an effort to reinforce this method of marketing and to help provide a standard of fairness for its Distributor base, Distributors may not display or sell SendOutCards products, services, or literature in a permanent retail or service establishment. A "permanent" retail or service establishment is any sales or promotion outlet that remains in the same location for three or more weeks. A mobile mall cart is not a fixed location. Any retailing through such outlets may only be done by a Distributor of SendOutCards and may not be delegated to an Employee.

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

Distributors may display and/or sell SendOutCards products at trade shows and professional expositions. Before submitting a deposit to the event promoter, Distributors are encouraged to verify that no other SendOutCards

Distributor will be present at the event. SendOutCards recommends that there should be only one distributorship present per event. Any distributor registering to attend an event is requested to email Customer Support the event information. A list of Distributors attending events will be kept by SendOutCards for reference purposes. Trade shows, expositions and other sales forums are not permitted outside the United States.

#### 4.9 - Conflicts of Interest

##### 4.9.1 - Non-solicitation

SendOutCards Distributors 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, Distributors may not recruit other SendOutCards Distributors or Customers for any other network marketing business. Following the cancellation of this Agreement for any reason, and for a period of six months thereafter, a former Distributor may not recruit any SendOutCards Distributor or Customer for another network marketing business if: 1) that Distributor or Customer was in the former Distributor’s downline marketing organization; or 2) the former Distributor met, developed a relationship with, or gained knowledge of the Distributor or Customer by virtue of their mutual participation in SendOutCards. 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 SendOutCards Distributor or customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Distributor’s actions are in response to an inquiry made by another Distributor or Customer.

Distributors must not sell, or attempt to sell, any competing non-SendOutCards products or services to SendOutCards Customers or Distributors. Any product or services in the same generic category as a SendOutCards product or service is deemed to be competing (*e.g.*, any greeting card is in the same generic category as SendOutCards’ products, and is therefore a competing product, regardless of differences in cost, quality, or content).

Distributors may not display SendOutCards products or services with any other products or services in a fashion that might in any way confuse or mislead a prospective customer or Distributor into believing there is a relationship between the SendOutCards and non-SendOutCards products or services. Distributors may not offer the SendOutCards opportunity, products or services to prospective or existing Customers or Distributors in conjunction with any non-SendOutCards program, opportunity, product or service. Distributors may not offer any non-SendOutCards opportunity, products or services at any SendOutCards-related meeting, seminar or convention, or immediately following such event.

##### 4.9.2 - Downline (Genealogy) Reports

Downline Reports are available for Distributor access and viewing at SendOutCards’ official web site. Distributor access to their Downline Activity Reports is password protected. All Downline Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to SendOutCards. Downline Reports are provided to Distributors in strictest confidence and are made available to Distributors for the sole purpose of assisting Distributors in working with their respective Downline Organizations in the development of their SendOutCards business. Distributors should use their Downline Reports to assist, motivate, and train their downline Distributors. The Distributor and SendOutCards agree that, but for this agreement of confidentiality and nondisclosure, SendOutCards would not provide Downline Reports to the Distributor. A Distributor shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- 4.9.2.1 - Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- 4.9.2.2 - Directly or indirectly disclose the password or other access code to his or her Downline Report;
- 4.9.2.3 - Use the information to compete with SendOutCards or for any purpose other than promoting his or her SendOutCards business;
- 4.9.2.4 - Recruit or solicit any Distributor or Customer of SendOutCards listed on any report, or in any manner attempt to influence or induce any Distributor or Preferred Customer of SendOutCards, to alter their business relationship with SendOutCards; or
- 4.9.2.5 - Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Downline Report.

Upon demand by the Company, any current or former Distributor will return the original and all copies of Downline Reports to the Company.

#### 4.10 - 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 Distributor Agreement on file with SendOutCards, 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. Distributors shall not demean, discredit or defame other SendOutCards Distributors in an attempt to entice another Distributor to become part of the first Distributor's marketing organization. This policy shall not prohibit the transfer of a SendOutCards business in accordance with Section 4.25.

#### 4.11 - Errors or Questions

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

#### 4.12 - Excess Inventory Purchases Prohibited

Distributors are not required to carry inventory of products or sales aids. To ensure that Distributors are not encumbered with excess inventory that they are unable to sell, such inventory may be returned to SendOutCards upon the Distributor's cancellation pursuant to the terms of Section 8.2.

SendOutCards strictly prohibits the purchase of products in unreasonable amounts primarily for the purpose of qualifying for commissions, bonuses or advancement in the Marketing and Compensation Plan. Distributors may not purchase more inventory than they can reasonably resell or consume in a month nor may they encourage others to do so. Distributors are prohibited from purchasing more than 1000 points per month unless they certify to SendOutCards and they submit to the Company in writing their reason why such a purchase is necessary and the purchase is approved.

#### 4.13 - 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, Distributors shall not represent or imply that SendOutCards or its Marketing and Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

#### 4.15 - Identification

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

#### 4.16 - Income Taxes

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

#### 4.17 - Independent Contractor Status

Distributors are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between SendOutCards and its Distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Distributor. The Distributor will not be treated as an employee for Federal or State tax purposes. The Distributor has no authority (expressed or implied), to bind the Company to any obligation. Each Distributor shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Distributor Agreement, these Policies and Procedures, and applicable laws.

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

Distributor's Name  
Independent SendOutCards Distributor

All Distributors may list themselves as an “Independent SendOutCards Distributor” in the white or yellow pages of the telephone directory, print or electronic, under their own name. No Distributor may place telephone directory display ads using SendOutCards’ name or logo. Distributors may not answer the telephone by saying “SendOutCards”, “SendOutCards Incorporated”, or in any other manner that would lead the caller to believe that he or she has reached corporate offices of SendOutCards.

#### 4.19 - International Marketing

Because of critical legal and tax considerations, SendOutCards must limit the resale of SendOutCards products and services, and the presentation of the SendOutCards business to prospective customers and Distributors located within the United States and U.S. Territories and countries listed as open for business by the Company. Moreover, allowing a few Distributors to conduct business in markets not yet opened by SendOutCards would violate the concept of affording every Distributor the equal opportunity to expand internationally.

Accordingly, Distributors are authorized to sell SendOutCards products and services, and enroll Customers or Distributors only in the countries in which SendOutCards is authorized to conduct business, as announced in official Company literature. SendOutCards products or sales aids cannot be shipped into or sold in any foreign country. Distributors may sell, give, transfer, or distribute SendOutCards products or sales aids only in an open country. In addition, no Distributor may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll potential customers or Distributors; or (c) conduct any other activity for the purpose of selling SendOutCards products, establishing a marketing organization, or promoting the SendOutCards opportunity.

#### 4.20 - Adherence to Laws and Ordinances

##### 4.20.1 - Local Ordinances

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

##### 4.20.2 - Compliance With Federal, State, Local Laws

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

#### 4.21 - Multiple SendOutCards Business Interests

Distributors may have only one SendOutCards business registered in his or her name (designated the “Primary SOC Business”). However, if a Distributor also owns or operates another business, the primary purpose of which is to provide non-SendOutCards goods or services to customers or clients (*e.g.*, professional services such as physicians, accountants, a restaurant, etc), the Distributor’s non-SendOutCards business may also own a SendOutCards business (designated the “Secondary SOC Business”) so long as the following criteria are satisfied:

- 4.21.1 The Secondary SOC Business must be enrolled and sponsored by the Primary SOC Business and placed on the immediate front line of the Primary SOC Business;
- 4.21.2 The non-SendOutCards business must be owned or operated by the Distributor who owns the Primary SOC Business or an Immediate Household Family Member of the Primary SOC Business owner;
- 4.21.3 SendOutCards reserves the right to cancel the Distributor Agreement of any Secondary SOC Business which does not have the principal purpose of providing non-SendOutCards goods or services to customers or clients;
- 4.21.4 The non-SendOutCards business must have:
  - 4.21.4.1 its own Federal Tax Identification Number and use that TIN on its SendOutCards Application and Agreement;
  - 4.21.4.2 an address that is separate from the Primary SOC Business address;
  - 4.21.4.3 Payment must be via a credit card registered to the non-SendOutCards business;
- 4.21.5 Under no circumstances may a Distributor operate or hold an interest in more than two SOC businesses (the Primary and Secondary SOC Businesses). There may be no more than two SendOutCards businesses per Immediate Household. An “Immediate Household” includes spouses, cohabitating couples, children and relatives residing in the same dwelling. Also included in the Immediate Household are students attending boarding school or college that reside at school or college during the school year, but within the dwelling of their parents or other relatives during non-school periods. Persons such as roommates and tenants who are unrelated shall not fall within the definition of an “Immediate Household” and may each have their own SendOutCards independent business. If a Distributor owns or operates Primary and Secondary SOC

Businesses, those two businesses constitute the maximum number of businesses that may be held within the Household, even though the Secondary SOC Business operates from a separate address from the Primary SOC Business.

- 4.21.6 If either the Primary or Secondary SOC Business violates the Policies and Procedures or its Distributor Agreement, SendOutCards may take disciplinary action against both the Primary and Secondary SOC Businesses.

Any exception to this rule will be considered on a case by case basis and must be presented in writing prior to executing a distributor application and agreement. Requests for exceptions to the policy must be submitted in writing to the Compliance department.

#### 4.22 - Actions of Household Members or Affiliated Individuals

If any member of a Distributor's immediate household engages in any activity which, if performed by the Distributor, would violate any provision of the Agreement, such activity will be deemed a violation by the Distributor and SendOutCards may take disciplinary action pursuant to the Statement of Policies against the Distributor. 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 SendOutCards may take disciplinary action against the entity.

#### 4.23 - Re-packaging and Re-labeling Prohibited

Distributors may not re-package, re-label, or alter the labels on any SendOutCards products, information, materials or programs in any way. SendOutCards products must be sold in their original format only.

#### 4.24 - Roll-up of Marketing Organization

When a vacancy occurs in a Marketing Organization due to the termination of a SendOutCards business, each Distributor in the first level immediately below the terminated Distributor on the date of the cancellation will be moved to the first level ("front line") of the terminated Distributor's sponsor.

Prior to any roll up, SendOutCards may audit the Marketing Organization of the First Generation Distributor who will receive the roll up. If the First Generation Distributor who would be receiving the roll up has any invalid enrollments or sales (*i.e.*, enrollments or sales obtained in violation of the agreement) or has been involved in any Policy violations within the preceding twelve calendar months, such Distributor shall be disqualified from receiving the roll up. The Company reserves the right to stop or delay any rollup in contested cases and in other circumstances wherein the company, in its sole discretion, deems it prudent to stop or delay the rollup. No commissions derived from the vacant position will accrue to, or be recoverable by, the upline recipient of the rollup during a delayed or restricted rollup. Encoding will not be changed due to the cancelation or termination of a SendOutCards business.

#### 4.25 - Sale, Transfer or Assignment of SendOutCards Business

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

- 4.25.1 - The buyer or transferee must become a qualified SendOutCards Distributor. If the buyer is an active SendOutCards Distributor, he or she must first terminate his or her SendOutCards business and wait six calendar months before buying the next business.
- 4.25.2 - Before the sale, transfer or assignment can be finalized and approved by SendOutCards, any debt obligations the selling Distributor has with SendOutCards must be satisfied.
- 4.25.3 - The selling Distributor must be in good standing and not in violation of any of the terms of the Agreement in order to be eligible to sell, transfer or assign a SendOutCards business.

Prior to selling a SendOutCards business, the selling Distributor must notify SendOutCards' Compliance Department of his or her intent to sell the SendOutCards business. All sales of a SendOutCards Distributorship must be approved by SendOutCards before any sale can be completed. No changes in line of sponsorship can result from the sale or transfer of a SendOutCards business. A Distributor may not sell, transfer or assign individual downlink legs; if a business is sold, transferred or assigned, all legs must be included in the transaction. A filled out and signed distributor application and agreement by the acquiring party must be submitted with a non-refundable fee of \$25.00.

#### 4.26 - Separation of a SendOutCards Business

SendOutCards Distributors sometimes operate their SendOutCards 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 Distributors and the Company, SendOutCards will involuntarily terminate the Distributor Agreement and roll-up their entire organization pursuant to Section 4.25.

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

- 4.26.1 - One of the parties may, with consent of the other(s), operate the SendOutCards business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize SendOutCards to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.
- 4.26.2 - The parties may continue to operate the SendOutCards business jointly on a “business-as-usual” basis, whereupon all compensation paid by SendOutCards will be paid according to the status quo. This is the default policy if the Company is not properly notified of the Distributors’ desire to follow the preceding approach.

Under no circumstances will the Downline Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will SendOutCards split commission and bonus checks between divorcing spouses or members of dissolving entities. SendOutCards will recognize only one Downline Organization and will issue only one commission check per SendOutCards 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 Distributor Agreement shall be involuntarily canceled.

If a former spouse or a former entity affiliate has completely relinquished all rights in their original SendOutCards business, they are thereafter free to enroll under any sponsor of their choosing. Entity affiliates must meet the waiting period requirements set forth in Section 4.5.3, whereas in divorce cases, the spouse that did not receive the business may immediately enroll upon the entry of a final divorce decree. In such case, however, the former spouse or partner shall have no rights to any Distributors in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new Distributor.

#### 4.27 - Sponsoring

All active Distributors in good standing have the right to sponsor and enroll others into SendOutCards. Each prospective Customer or Distributor has the ultimate right to choose his or her own Sponsor. If two Distributors claim to be the Sponsor of the same new Distributor or Customer, the Company shall regard the first application received by the Company as controlling.

#### 4.28 - Stacking

“Stacking” is strictly prohibited. The term “stacking” includes: (a) providing financial assistance to new Distributors for the purpose of maximizing compensation pursuant to SendOutCards’ Marketing and Compensation Plan; (b) violating section 4.21 above; and/or (c) placing a new distributor in any downline organization with the intent of manipulating the compensation plan in a manner not intended.

#### 4.29 - Succession

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

- 4.29.1 - Execute a Distributor Agreement;
- 4.29.2 - Comply with terms and provisions of the Agreement; and
- 4.29.3 - Meet all of the qualifications for the deceased Distributor’s status.
- 4.29.4 - Bonus and commission checks of a SendOutCards business transferred pursuant to this section will be paid in a single check jointly to the devisees. The devisees must provide SendOutCards with an “address of record” to which all bonus and commission checks will be sent;
- 4.29.5 - If the business is bequeathed to joint devisees, they must form a business entity and acquire a federal taxpayer Identification number. SendOutCards will issue all bonus and commission checks and one 1099 to the business entity.

#### 4.30 - Transfer Upon Death of a Distributor

To effect a testamentary transfer of a SendOutCards business, the successor must provide the following to SendOutCards: (1) an original death certificate; (2) a notarized copy of the will or other instrument establishing the successor's right to the SendOutCards business; and (3) a completed and executed Distributor Agreement.

#### 4.31 - Transfer Upon Incapacitation of a Distributor

To effect a transfer of a SendOutCards business because of incapacity, the successor must provide the following to SendOutCards: (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 SendOutCards business; and (3) a completed Distributor Agreement executed by the trustee.

#### 4.32 – Prohibited Material Handling

Prohibited Use of SendOutCards Products and Technology - Any material submitted by or intended to be included with any of SendOutCards product or technology, or an associated web site, may be canceled, deleted and/or destroyed at SendOutCards discretion. Prohibited materials include but are not limited to:

1. Profanity, or harassment;
2. Hate or racist propaganda;
3. Illegal activity under any law;
4. Nudity or pornographic material or material deemed so by SendOutCards in its sole discretion;
5. Material that violates or infringes on third party rights;
6. Copyrighted material not owned by the individual uploading or using the material; and
7. Any material which SendOutCards deems inappropriate, at its sole discretion.

Violation of these terms may result in the material being deleted, canceled and/or destroyed at SendOutCards discretion. No refunds or re-numeration will be given. Repeated violations may result in cancellation of the users SendOutCards, or other, account.

### SECTION 5 - RESPONSIBILITIES OF DISTRIBUTORS

#### 5.1 - Change of Address, Telephone, or Email

To ensure timely delivery of products, support materials, information, and commission checks, it is critically important that the SendOutCards' files are current. Distributors planning to move should send their new address, telephone numbers, and email address to SendOutCards' Corporate Offices to the attention of the Distributor Services Department. To guarantee proper delivery, two weeks advance notice must be provided to SendOutCards on all changes.

#### 5.2 - Continuing Development Obligations

##### 5.2.1 - Ongoing Training

Any Distributor who sponsors another Distributor into SendOutCards must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her SendOutCards business. Distributors must have ongoing contact and communication with the Distributors in their Downline Organizations. Examples of such contact and communication may include, but are not limited to: newsletters, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Distributors to SendOutCards meetings, training sessions, and other functions. Upline Distributors are also responsible to motivate and train new Distributors in SendOutCards product knowledge, effective sales techniques, the SendOutCards Marketing and Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline distributors must not, however, violate Section 4.2 (regarding the development of distributor-produced sales aids and promotional materials).

Distributors must monitor the Distributors in their Downline Organizations to ensure that downline Distributors do not make improper product or business claims, or engage in any illegal or inappropriate conduct.

##### 5.2.2 - Increased Training Responsibilities

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

##### 5.2.3 – Email Broadcasting Options

SendOutCards, as part of the Business Office system, as a company and individual distributors may send email broadcasts to their downline. A distributor may opt out of receiving email broadcasts from the company, their upline, or both at the time of signup, when receiving broadcast emails, or by contacting Customer Support. Email broadcasts are a good way of staying in contact and current on company information.

### 5.3 - Nondisparagement

SendOutCards wants to provide its independent Distributors with the best products, compensation plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to the Marketing Department. Remember, to best serve you, we must hear from you! While SendOutCards welcomes constructive input, negative comments and remarks made in the field by Distributors about the Company, its products, or compensation plan serve no purpose other than to sour the enthusiasm of other SendOutCards Distributors. For this reason, and to set the proper example for their downline, Distributors must not disparage, demean, or make negative remarks about SendOutCards, other SendOutCards Distributors, SendOutCards' products, the Marketing and Compensation plan, or SendOutCards' directors, officers, or employees.

## SECTION 6 - SALES REQUIREMENTS

### 6.1 - Product Sales

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

### 6.2 - No Territory Restrictions

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

### 6.3 - Order Forms

All Distributors must provide their retail customers with two copies of an official SendOutCards or order form at the time of the sale. This is the Customer's receipt. Distributors must maintain all order forms for a period of two years and furnish them to SendOutCards at the Company's request. Records documenting the purchases of Distributors' Preferred Customers will be maintained by SendOutCards.

Distributors must ensure that the following information is contained on each sales receipt: (1) The date of the transaction; (2) The date (not earlier than the third business day following the date of the transaction) by which the buyer may give notice of cancellation; and (3) Name and address of the selling distributor;

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

### 6.4 Point Expiration

SendOutCards is offered on a subscription basis and points purchased are intended to be used within a reasonable time frame as part of the subscription. Any points purchased will be used in a first in first out basis. Any points remaining unused after the last day of the thirteenth (13<sup>th</sup>) month from the date of purchase will be expired and removed from the system. Points purchased prior May 23, 2011 will expire on the last day of the eighteenth (18<sup>th</sup>) month from this date, which is November 30, 2012.

### 6.5 Non-Purchased Point Expiration

From time to time and by way of promotion or as a courtesy, SendOutCards may add points to any card sending account for free. Any points added to an account free of cost will not carry any volume and will expire on the last day of between the second (2<sup>nd</sup>) and thirteenth (13<sup>th</sup>) months from the date they were added to the account. Expiration date will be stated to account holder at time the points are added to the account. If no expiration date is stated then the expiration will take place at the end of the thirteenth (13<sup>th</sup>) month.

## SECTION 7 - BONUSES AND COMMISSIONS

### 7.1 - Bonus and Commission Qualifications

A Distributor must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Distributor complies with the terms of the Agreement, SendOutCards shall pay commissions to such Distributor in accordance with the Marketing and Compensation plan. The minimum amount for which SendOutCards will issue

a check is \$20.00. If a Distributor'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.

#### 7.2 - Adjustment to Bonuses and Commissions

Distributors receive bonuses and commissions based on the actual sales of products and services to end consumers. When a product is returned to SendOutCards 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 Distributors who received bonuses and commissions on the sales of the refunded products.

#### 7.3 - Reports

All information provided by SendOutCards in online or telephonic 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 SendOutCards 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, SendOutCards AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY DISTRIBUTOR OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF OR ACCESS TO 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 SendOutCards 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, SendOutCards 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 SendOutCards' online and telephone 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 SendOutCards' online and telephone reporting services and your reliance upon the information.

### SECTION 8 - PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE

#### 8.1 - Product Guarantee

Retail Customers may cancel their order within three business days from the date of purchase. See the cancellation policy on the Order Form. Preferred Customers may cancel their initial order within five business days from the date of purchase, but subsequent purchases are not refundable.

#### 8.2 - Return of Inventory and Sales Aids by Distributors

Upon cancellation of a Distributor's Agreement, the Distributor may return non-customized and/or card inventory and sales aids to the company for a refund if he or she is unable to sell or use the cards. A Distributor may only return products and tangible sales aids purchased by him or her that are in resalable condition (no refunds for costs associated with Distributor websites). Upon receipt of the products and sales aids, the Distributor 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. *The Company shall deduct from the reimbursement paid to the Distributor any commissions, bonuses, rebates or other remuneration received by the Distributor which were associated with any inventory that is returned.* For purposes of this paragraph Distributor Kits are not considered Sales Aids, but are educational documents designed to train distributors regarding

SendOutCards policies and procedures and compensation system. Sales Aids are products that are exclusively designed to aid the distributor in presenting SendOutCards retail products.

#### 8.2.1 - Montana Residents

A Montana resident may cancel his or her Distributor 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.

#### 8.3 - Procedures for Returns

All returns shall be sent to the Company along with a copy of the packing slip included with the products. If banked cards are returned, the Customer must submit a written request, including his/her Distributor ID number, to the company and specifically identify how much of the banked inventory the Distributor wishes to return. Points purchased through autoship are not eligible for refunds after the initial autoship order is processed.

### SECTION 9 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

#### 9.1 - Disciplinary Sanctions

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

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

These disciplinary measures are not sequential; the Company may take any of the measures listed. For example (and not by way of limitation), the Company may suspend a Distributor's agreement before requiring the Distributor to take immediate corrective measures.

#### 9.2 - Grievances and Complaints

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

#### 9.3 - Arbitration

Any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Distributors waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in Salt Lake City, Utah unless the laws of the state in which a Distributor resides expressly require the application of its laws, in which case the arbitration shall be held in the capital of that state. All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a strong preference being an attorney knowledgeable in the direct selling industry, selected from the panel which the American Arbitration Panel provides. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

Nothing in these Policies and Procedures shall prevent SendOutCards 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 SendOutCards' 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.

#### 9.4 - Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside in Salt Lake County, State of Utah, unless the laws of the state in which a Distributor resides expressly provides that its citizenry have the right to bring an action in their state. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of Utah, without regard to principles of conflicts of laws, shall govern all other matters relating to or arising from the Agreement unless the laws of the state in which a Distributor resides expressly require the application of its laws.

### SECTION 10 - ORDERING

#### 10.1 - Purchasing SendOutCards Products

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

#### 10.2 - General Order Policies

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

#### 10.3 - Annual Accounts

Annual Accounts expire one year from the date they are activated unless the account is renewed, upgraded or moved to an Auto Order program. Annual Accounts expire twelve (12) months from the date purchased. Annual Account cards not activated within 18 months of purchase will be purged from the SendOutCards system.

### SECTION 11 - PAYMENT AND SHIPPING

#### 11.1 - Insufficient Funds

It is the responsibility of each Distributor to ensure that there are sufficient funds or credit available in his or her account to cover the monthly Autoship order. SendOutCards is not responsible to contact Distributors in regard to orders canceled due to insufficient funds or credit. This may result in a Distributor's failure to meet his or her Personal Volume requirements for the month and qualification for bonuses and commissions.

#### 11.2 - Returned Checks

Checks returned by a Distributor's bank for insufficient funds may be re-submitted for payment. A \$25.00 returned check fee will be charged to the account of the Distributor. After receiving a returned check from a customer or a Distributor, ***all future orders must be paid by Credit Card, money order or cashier's check. Any outstanding balance owed to SendOutCards by a Distributor for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.***

#### 11.3 – Autoship Cancellation and Disabling By SendOutCards

If the credit card being charged for an Autoship order on a Distributor or Customer's account can not be cleared, after 2 or more failed attempts, the Autoship order will be deleted from the Distributor / Customer's account.

Any Customer or Distributor with banked points in excess of 1500 points may have their Autoship canceled. Autoships cancelled for this reason may be resumed once the account has sent out enough cards to bring the points below 1000 points. Any exception or waiver to the 1500 point limit may be requested in writing with an explanation of the necessity of the points, planned use of the points, and be signed by the requestor. Upon cancellation any discounted / special pricing received from having an Autoship will be removed and normal or standard pricing will be in effect.

#### 11.4 - Sales Taxes

SendOutCards will collect and remit sales taxes on behalf of Distributors according to applicable tax rates in the state to which the shipment is destined based on the zip code. If a Distributor has submitted, and SendOutCards has accepted, a current Sales Tax Exemption Certificate and Sales Tax Registration License, sales taxes will not be added

to the invoice and the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be on the Distributor. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by SendOutCards is not retroactive.

## SECTION 12 - INACTIVITY AND CANCELLATION

### 12.1 - Effect of Cancellation

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

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

### 12.2 - Involuntary Cancellation

A Distributor's violation of any of the terms of the Agreement, including any amendments that may be made by SendOutCards in its sole discretion, may result in any of the sanctions listed in Section 9.1, including the involuntary cancellation of his or her Distributor Agreement. Cancellation shall be effective on the date on which written notice is mailed, faxed, emailed, or delivered to an express courier, to the Distributor's last known address (email address or fax number), or to his/her attorney, or when the Distributor receives actual notice of cancellation, whichever occurs first.

### 12.3 - Voluntary Cancellation

A participant in this network marketing plan has a 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 Distributor's signature, printed name, address, and Distributor I.D. Number. The distributor may request the cancellation form from by contacting the Customer Service department. The canceling distributor may return their distributor kit in reusable condition prior to the end of 12 months from date of purchase for a refund of the purchase price. If the Annual Renewal date has passed and the canceling distributor has paid their renewal fee they may request a refund of the renewal fee.

### 12.4 - Non-renewal

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

### 12.5 - Three phases of inactivity for Distributors

#### 12.5.1 Inactive

A Distributor or Customer is considered inactive if they have made no purchases or have sent no cards during a consecutive 6 month period.

Action: Any or all Autoship orders may be canceled including Annual Renewal. If a Distributor has selected to have their Distributorship automatically renew, Annual Renewal in Business Office may be disabled. A Distributor whose account has not renewed will automatically go inactive in the Business Office on the anniversary of their enrollment in SendOutCards.

#### 12.5.2 Disabled

A Distributor or Customer account becomes disabled when no purchases have been made or no cards have been sent from their account in a total of 12 consecutive months.

Action: The Distributor / Customer's account will be disabled and the user will not be able to login to their account.

### 12.5.3 Deletion

A Distributor or Customer's account will be in Deletion status after 18 consecutive months of not making any purchases on the account or sending cards from the account.

Action: Distributor / Customer's account may be deleted from Company Databases. If an account is deleted all of the Distributor / Customer's contacts and other data associated with the account will also be deleted.

A Distributor whose Annual Renewal date has passed can reactivate their account by paying the \$59 annual renewal fee for their distributorship. If the Distributor's account has been converted to a customer the Distributor will need to upgrade back to Distributor status or may choose to re-apply as a new Distributor. If the Distributor wishes to re-apply as a new Distributor under a different line of sponsorship they will need to do so in accordance with section 4.5.3 Change of Sponsor.

Any account which has been deleted from SendOutCards database will not be able to be recovered. Any data that was contained in the account will need to be restored by the user.

## SECTION 13 - DEFINITIONS

**Active Distributor** — A Distributor who has paid his/her annual renewal fee and is in full compliance with Policies and Procedures.

**Active Rank** — The term “active rank” refers to the rank that a Distributor has qualified for within the most recent 90 days.

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

**Auto Order** – Also referred to as Autoship or Subscription. Automatic monthly charge made to an account holders payment method which adds products to the individuals account. Provides the highest level of discount available to purchase points for sending cards.

**Cancel** — The termination of a Distributor’s business. Cancellation may be either voluntary, involuntary, through non-renewal or inactivity.

**Commissionable Volume (CV)** – Each retail product is assigned a commissionable volume amount. It is usually, but not always equal to one dollar. For example if a retail item costs \$10.00 it would have a CV of 10.00. This value is the basis on which commissions are paid.

**Commissionable Products/Services** — All SendOutCards products and services on which commissions and bonuses are paid. Distributor Kits and sales aids are not commissionable products.

**Company** — The term “Company” as it is used throughout the Agreement means SendOutCards, LLC

**Compression** — The process by which non-qualified Distributors are excluded from the computation of bonuses and commissions for eligible Distributors. SendOutCards does not employ compression.

**Direct Customer** — A Customer who has completed a SendOutCards Customer Application and Agreement, and purchases products directly from SendOutCards with his/her Distributor’s Customer Retail ID Number, but who does not participate in the Preferred Customer program.

**Distributor Kit** — A selection of SendOutCards training materials and business support literature that each new Independent Marketing Distributor is required to purchase. The Distributor Kit is sold to Distributors at the Company’s cost.

**Downline** — The organization below a distributor consisting of distributors sponsored directly by the individual and levels of distributors sponsored by those distributors below the individual and the individual distributors below those to any number of levels, also known as a Unilevel Organization.

**Downline Leg** — Each one of the individuals enrolled immediately underneath you and their respective marketing organizations represents one “leg” in your marketing organization.

**Downline Report** — A monthly report generated by SendOutCards that provides critical data relating to the identities of Distributors, sales information, and enrollment activity of each Distributor’s Marketing Organization. This report contains confidential and trade secret information which is proprietary to SendOutCards.

**End Consumer** — A person who purchases SendOutCards products for the purpose of personally consuming them rather than for resale to someone else.

**Immediate Household** — Heads of household and dependent family members residing in the same house. Includes dependent family members who are temporarily living outside of the house but dependent on the household for primary support

**Official SendOutCards Material** — Literature, audio or video tapes, and other materials developed, printed, published and distributed by SendOutCards to Distributors, including but not limited to material on SendOutCards’ website.

**Organization Volume** — The commissionable value of SendOutCards products generated by a Distributor's Marketing Organization. Organization Volume does not include the Personal Volume of the subject Distributor. (Distributor Kits and sales aids have no Sales Volume.)

**Personal Volume (PV)** — The commissionable value of services and products sold in a calendar month: (1) by the Company to a Distributor; and (2) by the Company to the Distributor's personally enrolled Direct Customers.

**Point** – Unit purchased and used to exchange for the production of a Greeting Card, Postcard, Gift or other item designated as available for purchase using points. (i.e. Postcard = 1 point, Greeting Card = 2 points, 3 Panel Card = 3 points, Big Cards = 15 points, additional elements = 1 point)

**Preferred Customer** — A customer who has executed a SendOutCards Customer Agreement and who purchases a Preferred Customer Package

**Rank** — The "title" that a Distributor has achieved pursuant to the SendOutCards Marketing and Compensation Plan.

**Recruit** — For purposes of SendOutCards' Conflict of Interest Policy (Section 4.9), the term "recruit" means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, through a third party, or indirectly (including but not limited to through use of a web site) another SendOutCards Distributor, Direct or Preferred Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Distributor's actions are in response to an inquiry made by another Distributor, Direct or Preferred Customer.

**Resalable** — Products and sales aids shall be deemed "resalable" if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) the product and packaging are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; 4) products are returned to SendOutCards within one year from the date of purchase; 5) the goods are not customized per the request or order of the Distributor; and 6) the product contains current SendOutCards labeling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resalable.

**Retail Customer** — An individual who purchases SendOutCards products from a Distributor or Distributor's retail web site or as part of a retail account.

**Roll-Up** — The method by which a vacancy in a Marketing Organization left by a Distributor whose Distributor Agreement has been canceled is filled.

**Sponsor** — A Distributor who enrolls a Customer or another Distributor into the Company, and is listed as the Sponsor on the Distributor Application and Agreement.

**Subscription** – SendOutCards operates on a subscription basis. Subscriptions may be fulfilled by use of an Autoship or Auto Order and these terms may be used interchangeably, however, an Autoship alone may not fulfill the subscription and a subscription may or may not require an Autoship.

**Upline** — This term refers to the Distributor or Distributors above a particular Distributor in a sponsorship line up to the Company. Conversely stated, it is the line of sponsors that links any particular Distributor to the Company.

**Wholesale Customer** — A customer who has executed a SendOutCards Customer Agreement and who purchases a Wholesale Customer Package