

# Young Living Essential Oils Independent Distributor Policies and Procedures May 2005

## SECTION 1 – INTRODUCTION

### 1.1 Welcome

Welcome to Young Living Essential Oils! We are pleased that you have chosen to join our Company. Young Living is dedicated to providing you with the best products and business opportunity that you can find anywhere.

Leading financial experts and business gurus all agree that the home-based business sector is the wave of the business future. The time that you invest in becoming familiar with our Company, including the Policies and Procedures, will make a significant difference in your business experience. It will also be helpful to keep in touch with your upline support team on a regular basis to stay informed of the latest information regarding Young Living's products, business, support programs, meetings, and events. Be proactive and seek the needed support from your upline sponsor or other upline leader. If you are unable to obtain the support you need, please call Distributor Network Services (800-371-3515) for assistance.

### 1.2 Purpose

The purpose of the Independent Distributor Policies and Procedures is:

- To set standards of acceptable business behavior
- To define the relationship between you and Young Living (YL)
- To assist you in building and protecting your business

### 1.3 Policies Incorporated in the Distributor Agreement

Throughout these Policies and Procedures, whenever the term "Agreement" is used, it refers collectively to the Young Living Distributor Application, Agreement, and Order Form, the Policies and Procedures, the Compensation Plan, and the YL Retail Sales Receipt. These documents are incorporated by reference into the YL Distributor Agreement (in their current form and as amended by Young Living). It is the responsibility of each distributor to read, understand, adhere to, and ensure that he/she is operating under the most current version of the Policies and Procedures.

### 1.4 Code of Ethics

Young Living has established the following Code of Ethics to govern the Independent Distributor's business. You are required to become familiar with and agree to abide by this code as a condition of extending your Independent Distributor relationship. Violations of the Code of Ethics or the Policies and Procedures may result in termination of your distributor contract and your opportunity to participate in the Young Living business. Be sure you understand the principles and policies each of these code commitments entails.

#### Code of Ethics

- I will follow the highest standards of honesty and integrity in the development and operation of my Young Living business.
- I will give prompt and efficient service to anyone to whom I have introduced Young Living's products.
- I will make no claims for, or representations about, any Young Living products, other than those claims or representations found in current Company literature or on labels.
- I will not make negative or disparaging remarks about anyone who may be in competition with Young Living, or with their people, products, or organizations.
- I will not engage in activities that may cause losses to Young Living or to any other Young Living Independent Distributor.
- I will not use the Young Living trademark, trade name, logo, information, distributor lists, literature, meetings, gatherings, or Young Living resources to further other business interests.
- I will perform all duties of a sponsor and a leader as I build my Young Living business.
- I will respect the privacy of both my upline and downline distributors and customers.
- I will present the Young Living Compensation Plan accurately and honestly, clearly portraying the level of effort required to achieve success without exaggerating the financial possibilities.
- I will abide by all rules, regulations, laws, and ordinances that are applicable to the operation of my Young Living business as a distributor.

### 1.5 Amendments/Acceptance

The Company may from time to time amend the terms and conditions of the Distributor Agreement, Policies and Procedures, Compensation Plan, and Product Price List. The changes will become effective fifteen (15) days after first published by Young Living. Such amendments or modifications shall be made known through official Young Living publications distributed to all active distributors or posted to the web (e.g., e-News).

If a distributor is not willing to accept these changes, Young Living must be notified in writing within these fifteen (15) days prior to the change being effective. Any continued business, ordering, acceptance of a commission or bonus payout or any other benefit by a distributor pursuant to this Agreement constitutes acceptance of this Agreement in whole with any and all amendments.

### 1.6 Delays

Young Living shall not be responsible for delays and failures in performing its obligations due to circumstances beyond its reasonable control. This includes, without limitation, acts of God, strikes, labor difficulties, riots, wars, fire, flood, death, curtailment or interruption of a source of supply, government decrees or orders, etc.

### 1.7 Partial Validity

If any provision of the Distributor Agreement, in its current form or as it may be amended, is found to be invalid or unenforceable for any reason, only the invalid portion(s) of the provision shall be severed. The remaining terms and conditions 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. The continuation of a distributor's Young Living business or a distributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

### 1.8 Waiver

Young Living never forfeits its right to require compliance with this Agreement or with applicable laws and regulations governing business conduct. Only in rare circumstances will a policy be waived, and the Compliance Officer or another officer of the Company will convey such waivers in writing. The waiver will apply only to that specific case.

While Young Living attempts to enforce the Agreement uniformly, failure to enforce any provision of this Agreement does not waive Young Living's right to enforce any provisions with that same distributor or any other distributor.

### 1.9 Titles Not Substantive

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

## SECTION 2 – BECOMING A DISTRIBUTOR

### 2.1 Requirements to Become a Young Living Distributor

To become a Young Living distributor, each applicant must:

- Be at least the age of majority in your state/country of residence;
- Have a valid Social Security (SSN) or Federal Tax ID Number (TIN);
- Read the Young Living Policies and Procedures and Compensation Plan insert; and
- Complete, sign, and submit a Distributor Application, Agreement, and Order Form to Young Living within thirty (30) days of enrollment.

The Company reserves the right to reject any application from a new distributor.

### 2.2 Success Kit

The applicant is required to purchase a Young Living Success Kit (\$49.95) or a Starter Kit, containing the Success Kit, in order to become a distributor and receive wholesale pricing. The Success Kit contains materials designed to familiarize new distributors with Young Living's products, services, sales techniques, sales aids, and other training materials. The kit also includes samples of various products and promotional tools.

### 2.3 Distributor Application

Applicants must submit a Distributor Application and Agreement form to Young Living. Applications may be submitted through mail, fax, or the official Young Living website and must be received within thirty (30) days of enrollment to maintain wholesale pricing.

If a distributor, for whatever reason, fails to submit a completed Distributor Application, they hereby consent to these Policies and Procedures in their entirety, by participating as a distributor and receiving distributor pricing on orders.

### 2.4 Telephone Registration

You may also register via telephone. However, a completed Distributor Application, Agreement, and Order form must be submitted and received by corporate headquarters within thirty (30) days of any telephone registration. Failure to submit a completed application by the 30-day deadline negates your ability to purchase at wholesale pricing.

Preferred Customers may register via telephone and are not required to submit a Distributor Agreement.

### 2.5 Web Applications

If you register via the website ([www.youngliving.com](http://www.youngliving.com)) or any official replicated website, you will not need to submit a paper application.

## SECTION 3 – GENERAL POLICIES

### 3.1 Independent Contractor Status

As a Young Living distributor, you are an independent sales contractor and are not a purchaser of a franchise or business opportunity. The agreement between you and Young Living does not create an employer/employee relationship, agency, partnership, or joint venture. You have no authority (expressed or implied) to bind the Company to any obligation. You are encouraged to establish your own goals, hours, and methods of sale as long as you comply with applicable laws and the terms and conditions of the Distributor Agreement.

### 3.2 Types of Customers

#### Member:

The generic term used to identify a Young Living distributor or customer, or Professional.

#### Customer:

A member who chooses not to participate in the Young Living business opportunity, but rather desires only to purchase the products directly from the Company for personal consumption. Customers purchase products at the published customer price. Customers' purchases apply toward the sponsor's Personal Volume (PV). Thus, orders placed by any of your customers count to qualify you in the Compensation Plan as if you had placed the order personally. Customers do not participate in the Young Living business or network marketing plan.

#### Preferred Customer:

A customer who is participating in the Autoship Rewards program (see Section 9.2). Preferred Customers purchase products at Preferred Customer prices, which are discounted 12% below the published customer price. Preferred Customers' purchases apply toward the sponsor's Personal Volume (PV). Thus, orders placed by any of your Preferred Customers count to qualify you in the Compensation Plan as if you had placed the order personally. Preferred Customers do not participate in the Young Living business or network marketing plan and must participate in the Autoship Rewards program.

Young Living reserves the right to accept or reject new customers. A customer may become a distributor at any time by completing and submitting the Distributor Application and Agreement.

#### Distributor:

A distributor (you) may purchase product from Young Living at the published wholesale price and have the potential of earning commissions and bonuses based on qualification and achievement rank in the Young Living Compensation Plan. (See the published Compensation Plan details for specific information.) When enrolling in Young Living, you must read and agree to abide by the Policies and Procedures of Young Living and submit a completed Distributor Application, Agreement, and Order form. (see Section 2).

#### Professional:

A special account type for business entities that desire to purchase products for resale in their business establishment. Professional memberships will only be granted to those who submit a verifiable business license and Federal Employer Identification Number (EIN). Professionals receive a discount from the published customer price based on their order amount and the following schedule:

0 – 499.99 PV: No discount  
500 – 999.99 PV: 31% discount from retail  
1,000 PV or more: 35% discount from retail

To facilitate the discount pricing offered to Professionals, the commission payout to the upline on orders placed by Professional members is reduced by 50%. Professional orders do count as regular orders for qualification purposes for the upline. Professionals do not participate in the Young Living business or network marketing plan and may not participate in the Autoship Rewards program. Professional members must complete the appropriate application and agree to the Professional account terms and conditions.

### 3.3 Same Household Distributorship

Husbands and wives may not sponsor each other or have separate distributor relationships with Young Living via participation in another distributor's business. If one spouse is already a distributor, the non-participating spouse may become a co-applicant on the same distributor record as his/her spouse.

If two distributors marry, they may combine their distributor organizations (if one has sponsored the other), sell one of them, terminate one of them, or they may choose to maintain separate Young Living distributorships. Contact Distributor Network Services

for help working through the process and gathering any information that may be necessary to comply with this provision.

Children of a distributor 18 years of age or older may become a separate Independent Distributor, as long as they are the principal participant.

### 3.4 Corporations, Partnerships, Limited Liability Companies, and Trusts

A partnership, corporation, limited liability company (LLC), or trust may become a Young Living distributor by submitting to Young Living a partnership agreement, certificate of incorporation, articles/certificate of organization (LLC), or trust agreement along with a properly completed Business Entity Registration Form. The Business Entity Registration Form must be signed by all of the shareholders, officers, members, managers, partners, or trustees. Such individuals are jointly and severally liable for any indebtedness or other obligation of the business entity to Young Living. **No individual may participate in more than one distributorship in any form.** A distributor may change status sponsor from individual to partnership or corporation by submitting the appropriate documentation mentioned above.

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

### 3.5 Sale, Transfer, or Assignment

You may not sell, transfer, or assign your distributor rights to any person or entity without Young Living's written approval. To obtain approval, the following criteria must be met:

- Young Living must approve of the buyer prior to a sale.
- You must notify Young Living corporate offices of your intent to sell or transfer the business. The request must be made in writing with a notarized signature.
- No changes in line of sponsorship can result from the sale or transfer.
- The buyer or transferee must be (or must become) a qualified Young Living distributor.
- The combining of distributor organizations (downlines) is not permitted. If you wish to purchase or receive ownership of another member's distributorship, you must first forfeit all rights to any sales organization and sales volume you presently have and assume the position, title, and qualification of the selling distributor.
- Before any transfer or sale will be approved, any debt obligations you may have with Young Living must be satisfied.

Please note that a \$25 processing fee will be charged for such requests.

#### 3.5.1 Succession

Upon death or incapacitation, your rights to commissions, bonuses, and downline organization, together with all distributor responsibilities, will pass to your successor(s). The successor(s) must present Young Living with proof of death or incapacitation, along with appropriate legal documentation and a properly completed Distributor Application and Agreement. The beneficiary acquires the right to collect all commissions and bonuses of your sales organization provided that he and/or she meet all of the qualifications necessary for the Compensation Plan and this transfer is completed.

### 3.6 Separation of a Young Living Distributor Business

Young Living distributors sometimes operate their Young Living 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 business up or downline of sponsorship. If the separating parties fail to provide for the best interests of other distributors and the Company, it is a violation of this Agreement, and Young Living may involuntarily terminate the Distributor Agreement pursuant to Young Living Policies and Procedures.

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

- One of the parties may, with consent of the other(s), operate the business pursuant to a notarized assignment in writing whereby the relinquishing party(ies) authorize(s) Young Living to deal directly and solely with the other party(ies).
- The parties may continue to operate the Young Living business jointly on a "business-as-usual" basis, whereupon all compensation paid by Young Living

will be paid in the joint names of the distributors or in the name of the entity to be divided as the parties may independently agree among themselves.

- Pursuant to a court order involving parties.
- If one of these requirements is not met, Young Living will maintain the status quo as to how commissions are paid.

Under no circumstances will the downline organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will Young Living split commission and bonus checks between divorcing spouses or distributors of dissolving entities. Young Living will recognize only one downline organization and will issue only one commission check per Young Living business per commission cycle. Commission checks shall always be issued to the same individual or entity, unless agreed by all parties that the commissions will be due and paid to another party or by order of a court having jurisdiction over Young Living. If a former spouse or a former entity affiliate has completely relinquished all rights in his/her original Young Living business, he/she is thereafter free to enroll under any sponsor of his/her choosing. However, in such case the former spouse or partner shall have no rights to any distributors in their former organization or to any former customers. They must develop the new business in the same manner as would any other new distributor.

### 3.7 Roll-Up of Marketing Organization

When a vacancy occurs in a marketing organization due to the termination of a Young Living 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. For example, if A sponsors B, and B sponsors C1, C2, and C3, if B terminates her business then C1, C2, and C3 will "roll-up" to A and become part of A's first level.

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### 3.8 Taxes

#### 3.8.1 Income Taxes

You are responsible for paying local, state, and federal income taxes on any earnings generated through your Young Living business. Distributors who enroll are required by law to provide their Social Security or Federal Tax Identification Number for tax reporting purposes. Those who do not submit a valid tax ID number may be subject to backup withholdings, possible processing fees, customer status change, and may be required to submit a W-9 form or other tax documentation. Any fines or penalties incurred by Young Living because of an incorrect taxpayer ID number or name will be your responsibility and you agree to reimburse Young Living for these costs. Every year, Young Living will provide an IRS Form 1099 MISC (Non-Employee Compensation) earnings statement to each U.S. resident who falls into one of the following categories:

- a) Had earnings over \$600 in the previous calendar year; or
- b) Made purchases during the previous calendar year in excess of \$5,000.

Preferred Customers are not required to provide their Social Security or Federal Tax Identification Number to Young Living.

Changes to a SSN or TIN must be received via a completed W-9 form. The name and TIN on a member's account must match. These forms must match the signature of the owner on the account. For tax reporting purposes, changes to these numbers will result in the creation of a new account, therefore assigning a new member number to ensure that the correct name is used with the correct TIN and owner of the account. No previous 1099s may be reissued under the new SSN or TIN. Earnings made before the change will be reported on the original TIN. Earnings after any change will be recorded on the new TIN.

A co-applicant may be added with the consent of the primary distributor. Taxes will be reported on the primary distributor's tax number.

#### 3.8.2 Sales Taxes

Young Living is required to collect and remit sales taxes on your behalf based on the published customer price of the product and according to tax rates of the state in the "ship to" address on any given order. If you have a physical business location where you are retailing product, you must submit to the Company a valid resale exemption certificate. Young Living reserves the right to verify the validity of the resale certificate. The responsibility of collecting and remitting sales taxes to the appropriate authorities will then fall to you. Any questions concerning retail tax requirements should be directed to your tax advisor.

### 3.9 Distributor Claims and Representation

#### 3.9.1 Indemnification

You are fully responsible for all verbal and written statements you make regarding Young Living's products, services, and the Compensation Plan which are not expressly contained in official Young Living materials. You agree to indemnify Young Living and Young Living's directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by Young Living as a result of the

distributor's unauthorized representations or actions. This provision shall survive the termination of the Distributor Agreement.

#### 3.9.2 Product Claims

No improper claims about the products may be made. In particular, you may not make any claim that Young Living's products are useful in the prevention, treatment, or cure of any disease or condition. Do not make any statements or claims that are false or misleading concerning Young Living's products. You must comply with all laws, both state and federal, regarding any statements made.

You may not diagnose or prescribe any Young Living product unless you are a licensed medical professional authorized to do so. Anyone improperly diagnosing or prescribing Young Living's products may jeopardize the future of Young Living and all of its distributors and therefore will be subject to termination of their distributorship.

#### 3.9.3 Income Claims

No false or misleading income projections may be made to prospective distributors. In their enthusiasm, distributors are occasionally tempted to represent hypothetical income figures based upon the inherent power of network marketing as actual income projections. This is counterproductive since new distributors may be quickly disappointed if their results are not as extensive or as rapid as a hypothetical model would suggest. The income potential of a Young Living distributor is great enough to be highly attractive in reality without resorting to artificial and unrealistic projections.

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 Young Living, 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 Young Living distributors do not have the data necessary to comply with the legal requirements for making income claims, a distributor, when presenting or discussing the Young Living opportunity or Compensation Plan to a prospective distributor, may not make income projections, income claims, or disclose his or her Young Living income (including the showing of checks, copies of checks, bank statements, or tax records). Young Living Distributors must comply with all local and federal laws.

### 3.10 Deceptive Practices

#### 3.10.1 Unauthorized Recruiting

You are free to participate in other business ventures. However, during the term of this Agreement, you may not recruit other Young Living distributors or customers into any other venture. The term "recruit" means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly or indirectly or through a third party, another Young Living distributor to participate in another multi-level, 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 Preferred Customer.

#### 3.10.2 Cross-Line Recruiting

Actual or attempted cross-line recruiting or sponsoring is strictly prohibited. "Cross-line recruiting" is defined as the sponsoring or attempted sponsoring of an individual or entity that already has a current Distributor Agreement on file with Young Living within a different line of sponsorship or with a different sponsor.

The use of a spouse's name, trade names, DBAs (Doing Business As), assumed names, corporations, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited.

You shall not demean, discredit, or defame another Young Living distributor especially in an attempt to entice another distributor to become part of your marketing organization.

#### 3.10.3 Bonus Buying and Stacking

"Bonus Buying" includes (a) the enrollment of individuals or entities without the knowledge of and/or execution of a 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); or (d) the use of a credit card by or on behalf of a distributor or customer when the distributor or customer is not the account holder of such credit card.

The term "Stacking" includes: (a) the failure to transmit to Young Living, or the holding of a Distributor Application and Agreement in excess of two (2) business days after its execution; (b) the placement or manipulation of Distributor Applications and Agreements for the purpose of maximizing compensation pursuant to Young Living's Compensation Plan; (c) providing financial assistance to new distributors for the purpose of maximizing compensation pursuant to Young Living's Compensation Plan;

or d) buying products or drop shipping through another's account to increase the payout of your distributorship.

Bonus Buying and Stacking are material breaches of these Policies and Procedures and are strictly and absolutely prohibited.

#### 3.10.4 Repackaging and Relabeling

You may not relabel, alter the labels of, repackage, or refill any Young Living product. Young Living's products must be sold in their original containers only. Such relabeling or repackaging would violate governing laws, which could result in severe criminal penalties.

#### 3.11 Downline Genealogy Reports

The Young Living Genealogy Reports are confidential and contain proprietary business trade secrets. You may not use the report for any purpose other than for developing and supporting your Young Living business.

During any term of the Distributor Agreement and following the termination or expiration of the Agreement between you and Young Living for any reason whatsoever, you shall not, on your own behalf or on behalf of any other person, partnership, or other entity:

- Disclose any information contained in the reports to any third party;
- Use the reports to compete with Young Living;
- Recruit or solicit any distributor or customer listed on the reports to participate in other multi-level or direct marketing ventures; or
- Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any downline Genealogy Report or termination of your distributorship.

Upon demand by the Company, you will return the original and all copies of downline Activity Reports (including electronic files) to the Company. This provision shall survive the termination or cancellation of this Agreement.

#### 3.12 Product Liability Coverage

Young Living maintains insurance to protect the Company and distributors against product liability claims. Young Living's insurance policy contains a provision that extends coverage to Independent Distributors so long as they are marketing Young Living's products in accordance with applicable laws and regulations and the Distributor Agreement. The product liability insurance does not extend coverage to claims that arise as a result of a distributor's misconduct in marketing or promoting the products.

#### 3.13 Commercial Outlets

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

#### 3.14 Trade Shows and Expositions

You may display and/or sell Young Living's products at trade shows and expositions. All literature displayed at the event must be official Young Living literature and must clearly identify yourself as an Independent Distributor.

#### 3.15 International

As Young Living develops an increasingly international presence, careful attention must be given to country-specific legal and tax considerations if your developed downline is in other countries. Compliance with foreign laws regarding intellectual property, customs, taxation, literature content, and other direct selling guidelines is critical to successful international expansion.

Consequently, you are authorized to market and sell Young Living's products and services and to recruit and sponsor other distributors only in countries in which Young Living is authorized to conduct business, as listed in official Young Living literature. Because unauthorized pre-market opening activity may jeopardize the Company's ability to enter a new market and result in loss of opportunity for many other distributors, those who engage in unauthorized pre-market opening activity will be subject to disciplinary measures, possibly leading to termination. You are not authorized to register product, trade names, or IP addresses in any country for or in behalf of Young Living.

Any violator agrees to indemnify the Company for any such activity that damages the Company including, but not limited to, loss of profit, loss of goodwill, any damages, and reasonable attorney's fees.

If a distributor desires to sponsor internationally in a country officially recognized as open, certain requirements must be met. A distributor must:

- 1) Be in good standing in the country of residence;
- 2) Read and understand the Policies and Procedures in place for the country into which they are sponsoring;

- 3) Agree to follow all company Policies and Procedures for this country;
- 4) Agree to follow any and all applicable laws of such foreign country;
- 5) Agree to any tax withholdings that may be required for that foreign country; and
- 6) Agree to a foreign currency exchange fee that will be set from time to time by the Company.

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

In some countries, customers may purchase Young Living products on a not-for-resale basis as customers. This product, if so allowed, can only be used by the purchaser and not resold.

## SECTION 4 – SPONSOR'S RESPONSIBILITIES

### 4.1 Sponsoring

All distributors in good standing have the right to sponsor others in Young Living. Each prospective 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 binding.

### 4.2 Ongoing Supervision, Training, and Sales

As a sponsor, you are expected to train, supervise, and communicate with your sales organizations through letters, newsletters, meetings, telephone contacts, voice mail, electronic mail, trainings, and by accompanying enrollees to Young Living's training meetings.

### 4.3 Non-Disparagement

In setting the proper example for your downline, you must not disparage, slander, or defame other Young Living distributors, Young Living's products, the Compensation Plan, or the Company's employees. Such disparagement constitutes a material breach of these Policies and Procedures and may result in termination of your distributorship.

### 4.4 Reporting Policy Violations

You should report any observed policy violations to the Young Living Distributor Compliance Department.

## SECTION 5 – ADVERTISING

You must not make false or fraudulent claims about Young Living's products, the Compensation Plan, or its income potential. You may use your own materials as long as they legally comply with all applicable laws and are marked as Independent Distributor.

### 5.1 Use of Company Materials

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

All Young Living materials—whether printed, on video or DVD, produced by sound recording, or any other electronic format—are copyrighted and may only be reproduced in whole or in part when authorized by Young Living. Anyone found copying audio, video, or written materials produced by Young Living or its personnel without written approval is subject to disciplinary action.

There is no recording permitted during any Young Living Convention or meeting. Anyone found recording the Young Living Convention or any other Young Living meeting will be escorted out and subject to disciplinary action, and the tapes will be confiscated.

Production or distribution of a distributor's notes from any Young Living event is prohibited.

### 5.2 Trademarks and Copyrights

The name of Young Living, Young Living Essential Oils, Young Living Farms, Young Living Family Farms, Young Living Herb Farms, any other names that may be adopted by Young Living, such as trade names, trademarks, logos, and slogans of Young Living, web address or URL (or any names that are confusingly similar) are proprietary to Young Living and of great value. You may only advertise Young Living's products using the Young Living logos or trademarks with written permission. All advertising material not produced by Young Living must use the words "Independent Distributor" to clearly show you are representing the Company in the capacity of an Independent Distributor.

### 5.3 Media Inquiries

You may not attempt to respond to media inquiries regarding Young Living, its products or services, or your independent Young Living business. All inquiries by any type of media must be immediately referred to the Young Living Distributor

Compliance Department. This will ensure that accurate and consistent information reaches the general public.

#### 5.4 Distributor-Developed Advertising Materials

Young Living encourages its distributors to promote its products through use of Young Living produced literature. This material is copyrighted and should not be reproduced without written permission. Advertising through any medium, such as television, radio, mail, newsletters, faxes, or internet must be done in accordance with all applicable laws. Distributors are responsible for knowing and complying with all such local, state, or national laws.

Should a distributor decide to produce and/or use materials other than materials from Young Living, such distributors must clearly identify that the material is from an Independent Distributor and not Young Living.

Any use of advertising material not produced by Young Living must be compliant with all applicable laws. Such material must be produced in a professional and tasteful manner. Material must not be used that is not in compliance with this provision or that reflects poorly upon Young Living.

Violations may subject a distributor to the sanctions allowed under these Policies and Procedures.

#### 5.5 Domain Names and E-mail Addresses

Distributors may not use or attempt to register any of Young Living's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof for any Internet domain name in whole or in part, either in the U.S. or abroad. Nor may distributors incorporate or attempt to incorporate any of Young Living's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof into any electronic mail address.

#### 5.6 Telephone Solicitation

The use of Young Living's name or copyrighted materials may not be made with automatic calling devices or "boiler room" operations to solicit potential members.

#### 5.7 Testimonials and Meetings

##### 5.7.1 Testimonials

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

- Testimonials must be factual.
- Testimonials must not claim to treat, cure, prevent, or mitigate any disease. This includes expressed and implied claims. Avoid all references to any disease. Once Young Living (or an Independent Distributor) uses a testimonial relating an experience of treating a disease with the products, those products then become subject to regulation by the FDA as "drugs," which require government approval before they can be lawfully marketed.
- Testimonials should promote the "supportive" nature of the product. Testimonials about general well-being and the effects on "systems" of the body are encouraged (i.e., supports normal immune function, circulatory function, boosts energy level, etc.).
- Any testimonial must comply with all applicable laws.

##### 5.7.2 Meetings

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

If you are the meeting leader:

- You should not arrange for a disease-cure testimonial.
- You should not personally give a disease-cure testimonial.
- If there is an impromptu disease-cure testimonial from someone, redirect the discussion by saying, "Our supplements are designed to improve nutrition; they are not intended to diagnose, treat, cure, or prevent any disease. However, scientific research has established a connection between nutrition and many disease conditions."

Third-party scientific literature that is compliant with local, state, and federal law may be distributed at a meeting but must be placed separate and apart from promotional material.

#### 5.8 YLEO Personal Websites

Young Living offers a personalized website to assist in your marketing efforts. There are two versions available with various different features. Contact DNS for more details or log in to your Virtual Office at the corporate website for more information.

### SECTION 6 – SALES REQUIREMENTS

#### 6.1 Product Sales

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

- A minimum of 70% of your orders must be sold to customers, Preferred Customers, or other end users. The sales volume of your personally enrolled Preferred Customers shall be included with the sales determining compliance with the 70% requirement. You may not purchase additional product until at least 70% of the previous order has been sold to end consumers.
- You are required to furnish your customers with a Young Living Retail Sales Receipt, which specifies the date of sale, the amount of sale, the items purchased, and the Young Living satisfaction guarantee. Additionally, if you sell product inventory to other distributors, you must provide the purchaser with a sales receipt. You should maintain copies of all sales receipts for a period of two (2) years and furnish them to Young Living at the Company's request. Young Living will maintain records documenting the purchases of distributor's customers and direct purchase customers.
- Young Living distributors agree not to stock excessive inventory and to abide by the 70% rule, which is that 70% of the distributor's inventory has been sold or consumed prior to ordering more. By ordering more product, the distributor certifies that 70% of all prior orders has been consumed or sold. The distributor also agrees not to purchase inventory for the sole purpose of qualifying for compensation payments.

#### 6.2 Customers

You may personally sell Young Living's products to customers at any price you choose. A customer is someone who is purchasing product directly from you and does not have a Young Living membership.

#### 6.3 Customers and Sales Requirements

Customer orders (both Preferred and customer) satisfy customer sales requirements.

#### 6.4 Excessive Purchases of Inventory Prohibited

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

#### 6.5 No Price or Territory Restrictions

You are not required to sell Young Living's products at the suggested customer prices set by Young Living on the Young Living Product Price List. You may sell Young Living's products at any price you choose. There are no exclusive territories granted to anyone. No franchise fees are required.

### SECTION 7 – COMMISSIONS AND BONUSES

#### 7.1 Commissions and Bonus Checks

You must be active and in compliance with this Agreement to qualify for compensation. As long as you comply with the terms of the Agreement, Young Living shall pay you commissions and bonuses in accordance with the Compensation Plan. Commissions and bonuses are paid twice monthly. Star Performance and Matching Bonuses are paid on approximately the 5<sup>th</sup> of each month for the prior month's sales. All other commissions and bonuses (Unilevel, Generations, etc.) are paid on approximately the 17<sup>th</sup> of each month for the prior month's sales. Commission amounts under \$10 will not be issued as a check but retained as a credit on account for future product purchases.

#### 7.2 Recap Statements

Detailed reports are available online in the Virtual Office of the corporate website. If you do not have Internet access, you may request that the report be faxed or mailed to you for a small fee.

#### 7.3 Adjustments

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

#### 7.4 Deductions/Maintenance Fees

A monthly maintenance fee is assessed each month and is used to cover your subscription to the YL quarterly magazine, accounting, processing, and account maintenance. The fee may be tax deductible, so consult your personal tax advisor for details. The fee schedule is as follows:

<u>Monthly Commissions</u>	<u>Fee</u>
\$10-49	\$1.00
\$50-99	\$2.00

\$100-499	\$3.00
\$500-999	\$4.00
\$1,000 +	\$5.00

## 7.5 Errors or Questions

Review your Commission and Bonus Recap statements and report any errors or discrepancies to Young Living within forty-five (45) days from the date on the check. Errors or discrepancies which are not brought to Young Living's attention within the forty-five (45) day period will be deemed waived.

## 7.6 Commissions and Bonuses

Deposit or cash commission and bonus checks within ninety (90) days of their issue date.

## 7.7 Unclaimed Compensation Checks

Young Living attempts to ensure checks are sent to the proper address (the address on record with Young Living). For various reasons beyond Young Living's control, some compensation checks are not cashed within ninety (90) days. If after ninety (90) days from issue a compensation check is not cashed, it will be voided and the amount credited to the distributor's account. After one hundred and eighty (180) days from issuance, any voided check amounts so credited will be subject to a monthly maintenance fee of 10% of the amount or \$10.00, whichever is greater. This maintenance fee will allow Young Living to search for credit holders, maintain the accounts, and send out requests and search material. Distributors agree to handle compensation credits in this manner.

## 7.8 Other Credits

Any other account credits due to such things as product returns, credit in lieu of check, promotional credits, etc. will begin to accrue an account maintenance fee after one hundred eighty (180) days from issuance of the credit. The account maintenance fee will be 10% of the credit or \$10.00, whichever is greater.

## 7.9 Reissue Requests

There is a \$35 service charge for reissuing a check before the ninety (90) days. This charge will be deducted from the balance owed to the distributor.

## SECTION 8 – PRODUCT RETURNS

### 8.1 Return Policy

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

#### 8.1.1 Return Guidelines

Any member who is dissatisfied with any Young Living products may return:

- any unopened product within thirty (30) days after shipment for a full refund in the same method of payment of the purchase price and applicable sales tax (less shipping charges).
- any opened product with which the member is dissatisfied within thirty (30) days after shipment for a credit on the member's Young Living account of the purchase price and applicable sales tax (less shipping charges).
- any sealed or opened product or defective product with which a member is dissatisfied up to ninety (90) days after shipment for credit of the purchase price and applicable sales tax (less shipping charges and a 10% handling fee).

Customers returning product to distributors will follow the same return policy and the distributor is responsible for returning the product to the Company within ten (10) days of receiving the return. Excessive returns may be deemed an abuse of Young Living's return policy and may result in suspension of your return privileges and/or distributorship. Damaged or incorrect shipments of products will not be subject to fees.

#### 8.1.2 Returns of Inventory by Distributors

If you choose to cancel your Distributor Agreement, you may return any product inventory or sales aids purchased in the preceding twelve (12) months for a refund if you are unable to sell or use the merchandise. You may return only products and sales aids that are in resalable condition, unless otherwise required by law. You must return the products to Young Living, prepay the shipping charges, and include a letter explaining that you wish to terminate your Distributor Agreement and receive a refund. Upon receipt of the products, you will be reimbursed 90% of the net cost of original purchase price(s), less shipping charges. The Company shall deduct from the reimbursement any commissions, bonuses, or other incentives received by you as a result of the product you are returning.

#### 8.1.3 Product Kits

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

#### 8.1.4 Return of Promotional Product(s)

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

- If a qualifying purchase is returned in whole or in part, therefore negating the qualification to receive the complimentary item, the promoted product(s) must also be returned or the member will be charged for the free product(s).
- If one of the BOGO products is returned, Young Living will not credit the member, as Young Living will assume the returned item(s) is the promoted product(s). If both products of the BOGO are returned, Young Living will credit the member for the product purchased.

## 8.2 Procedures for Returns

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

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

Credits will be issued when Young Living has received the return form.

## SECTION 9 – ORDERING

### 9.1 Ordering Methods

All member types may place orders by telephone, fax, mail, YL website, the Automated Phone Ordering System, or through the Autoship program. For security reasons, orders will not be accepted via e-mail.

#### 9.1.1 Phone

When ordering by phone, be prepared to present all information requested on the Young Living Product Order Form. Live operators are available Monday through Friday from 8:00 a.m. to 7:00 p.m. Mountain Time. Payments can be made by ACH (U.S. banks only, bank draft) or credit card.

#### 9.1.2 Fax

When ordering by fax, print information legibly on the order form. Payments can be made by ACH (U.S. banks only, bank draft) or credit card. Orders may be faxed to (866) 203-5666 or (801) 418-8888.

#### 9.1.3 Mail

When ordering by mail, send completed order form with payment to:

Young Living  
Attn: Order Entry  
3125 West Executive Parkway  
Lehi, Utah 84043

Payments may be made by credit card, cashier's check, money order, or personal check. DO NOT SEND CASH.

#### 9.1.4 Young Living Website

The corporate website makes ordering and accessing information online quick and easy. Available 24 hours a day, 7 days a week, the Web Express Site allows you to place online orders. You will need your member number and password (which should be kept confidential) to establish a login and security code (4 digit PIN) at [www.youngliving.com](http://www.youngliving.com). You must keep your PIN secure and only order on your account.

#### 9.1.5 Automated Phone Ordering System (IVR)

The Automated Phone Ordering System is available 7 days a week, 24 hours a day. To place your order on the Automated Phone Ordering System, please have the following information available: your member number, security code (4 digit PIN), name, method of payment (MasterCard, VISA, Discover, American Express, or ACH U.S. banks only, bank drafts), and a list of products with code numbers. You may access the Automated Phone Ordering System by calling (888) 880-1549. You must keep your PIN secure and only order on your account.

## 9.2 Autoship Rewards Program

The backbone to any successful networking company is a strong Autoship program. The Young Living Autoship program promotes consistent ordering and provides valuable incentives to Preferred Customers and distributors alike. An Autoship order should be a standard purchase of product that is used consistently every month. To

enroll in this program, indicate when placing your order that it is an Autoship order, select the product you would like Young Living to send you each month, and the day of the month you would like the order processed (some limitations on available dates may apply). The credit card or bank account from which you authorize payment will be automatically charged the amount of the order, plus applicable shipping and sales tax.

There is a minimum purchase of 50 Personal Volume (PV) required.

### 9.2.1 Autoship Reward Product Credits

Members on Autoship are eligible to earn Autoship Reward Product Credits based on the following schedule:

- 1-6 months (consecutively) earn a credit of 10% of the Autoship order each month. (Maximum of 30 credits per month.)
- 7-12 months (consecutively) earn a credit of 15% of the Autoship order each month. (Maximum of 50 credits per month.)
- 13 months + (consecutively) earn a credit of 20% of the Autoship order each month. (Maximum of 75 credits per month.)

The credits will be issued to each member's account the second week of the following calendar month.

### 9.2.2 Credit Redemption

- The credits are valid for product purchases only (PV products only, no sales aids).
- Products purchased with Autoship Reward Product Credits have no PV or other qualification value.
- Credits may only be used after two (2) months of participation.
- Credits must be used on a separate order and may not be combined with any other order.

### 9.2.3 Autoship Changes

An Autoship order may be changed up to midnight on the date selected for processing through the corporate website or telephone.

Participation in the Autoship program is purely optional and does not relieve you from compliance with the customer sales requirement or compliance with the 70% resale rule.

### 9.2.4 Autoship Cancellation

If an Autoship order is cancelled or returned, any unused product credits will be forfeit and the consecutive months of participation in the program will be reset to zero. If you wish to cancel your Autoship order, you may do so in the Virtual Office of the corporate website or submit a written request five (5) days prior to the pre-selected processing date.

### 9.2.5 Autoship Rewards Program

Because the Autoship Rewards program is an incentive driven program designed to help regulate and stimulate sales, it is subject to change at any time. Contact Customer Service or visit the corporate website for details on the current Autoship Rewards program.

## 9.3 General Ordering Policies

On mail orders with invalid or incorrect payment, Young Living will attempt to contact you by phone, mail, or e-mail to obtain another payment. If these attempts are unsuccessful after five (5) business days, the order will be cancelled.

For orders to be counted in a given month, they must be received and accepted on or before the last day of the month.

If an item ordered is out of stock or discontinued, Young Living will attempt to contact you by phone or e-mail so you may select an alternative item, if qualifications are negatively affected. If we are unable to contact you or do not receive a response from you within one to two (1-2) business days, Young Living will remove the item and process the order.

No C.O.D. orders will be accepted.

### 9.3.1 Back Orders

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

### 9.3.2 Month-End Order Processing Cutoff

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

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

### 9.3.3 Back-Dating Orders

Orders will be processed in the month they are received. No orders will be credited for a prior sales month.

## SECTION 10 – SHIPPING

### 11.1 Shipping Methods and Charges

Domestic orders are generally shipped within two (2) business days (excluding weekends and holidays). A packing slip is included in each shipment. It contains the order number, member number and name, product code, product name, price, and the amount and method of payment. Distributors should keep these packing slips for personal accounting records. All packages can be tracked through our website.

### 10.2 Shipping Discrepancies

When an order is received, the products should be checked against the packing slip to make certain there is no discrepancy or damage. Please notify Young Living of any shipping discrepancies or damage as soon as possible. Failure to notify Young Living of any shipping discrepancy or damage within five (5) business days of receipt of shipment will forfeit your right to request a correction.

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

To correct any problems you may have encountered with your shipments, please contact Distributor Network Services (DNS). Your DNS representative will discuss the steps to rectify the situation and issue a Return Merchandise Authorization (RMA) number. You may contact us at by telephone or by fax.

## SECTION 11 – PAYMENT

### 11.1 Methods of Payment

Young Living accepts the following payment methods:

- Credit Cards/Debit Cards—VISA, MasterCard, American Express, and Discover. Using someone else's credit card without their written permission is illegal and may be grounds for involuntary termination of your distributorship as well as possible legal action.
- ACH Check Payments—U.S. checking accounts only. The Automatic Clearing House (ACH) program authorizes Young Living to draft against a member's bank account for the amount of the order.
- Money Orders or Cashier's Checks—U.S. funds (mail-in orders only).
- Personal Checks—U.S. funds (mail-in orders only).

### 11.2 Returned Checks and Insufficient Funds

It is your responsibility to ensure that there are sufficient funds available in your account to cover regular orders and Autoship orders. If a personal check or ACH check is returned for non-sufficient funds (NSF), you will not be able to place orders using personal checks or ACH checks until the balance is paid with a credit card or a money order. An NSF check will be sent to a collection service and appropriate processing fees will be charged, and your account will be placed on suspension. Failure to promptly resolve an NSF check may result in legal action and possible termination of your distributorship. Any uncollected amount may be deducted from commissions.

### 11.3 Commission and Bonus Release Form

You may choose to retain your commissions and bonuses (all or in part) in the form of a credit on your Young Living account. This credit would be used against future product purchases, in accordance with Section 7.8. The Commission and Bonus Release form must be received and approved by Young Living before your compensation check can be issued as a credit on account.

## SECTION 12 – DISTRIBUTOR ACCOUNT MANAGEMENT

### 13.1 Changes to a Distributor Account

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

### 12.1.2 Sponsor Changes

To protect the integrity of all marketing organizations and safeguard the hard work of all distributors, Young Living strongly discourages changes in sponsorship.

Accordingly, the transfer of a Young Living business from one sponsor to another is rarely permitted. Requests for a change of sponsor must be submitted in writing to DNS and must include the reason for the transfer. Transfers or changes will be considered only under the following circumstances:

1. In cases involving fraudulent inducement or unethical sponsoring, a distributor may request that he or she be transferred to another organization with his or her entire marketing organization intact. All requests for transfer alleging fraudulent enrollment practices shall be evaluated on a case-by-case basis.
2. The distributor seeking to transfer submits a written request including the written approval of the five (5) upline members whose income will be affected by the transfer. Photocopied or facsimile signatures are not acceptable. All distributor signatures must be notarized. The request is subject to approval by the Young Living Executive Committee. Any downline distributors shall remain in the original genealogy and shall not be moved with the transferring distributor.
3. A distributor who has not placed an order in six (6) months is eligible to transfer to another sponsor of his/her choosing. A written request with a notarized signature is required. Any downline distributors shall remain in the original genealogy and shall not be moved with the transferring distributor.
4. The enroller will be set to null.

Problems of attitude, non-support, personality conflicts, or social preferences are not acceptable reasons for a change.

#### **12.1.3 Sponsor/Enroller Changes**

A change of sponsor or enroller may be granted if requested during the new member's first thirty (30) days of enrollment. The request must be in writing. Once a sponsor/enroller change is made, no other changes are allowed.

#### **12.2 Downline Genealogy Reports**

Downline Genealogy Reports are optional and may be ordered at any time. Reports are available free of charge through the Virtual Office of the corporate website. Reports sent via fax or mail will be charged a fee of \$7.50 for the first 10 pages and \$0.10 per page thereafter. Downline Genealogy Reports contain trade secret information, which is proprietary to Young Living. Refer to Section 3.11 for restrictions on using these reports.

Mailing labels may also be ordered from DNS for a fee of \$.05 per label.

#### **12.3 Leadership Support Team**

Upon reaching the rank of Silver, you have access to a Leadership Support Team. These specialists provide you with additional information and services that may be beneficial in supporting your Young Living business.

### **SECTION 13 – DISPUTE RESOLUTION AND DISCIPLINARY ACTION**

#### **13.1 Disputes Between Distributors**

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

Upon receipt of a written complaint, the Young Living Distributor Compliance Team will investigate the matter, review the applicable policies, and render a decision on how the dispute shall be resolved. The Distributor Compliance Team may also issue disciplinary sanctions consistent with the provisions of Section 13.3.

#### **13.2 Disputes Between Young Living and Distributors**

##### **13.2.1 Arbitration**

All disputes and claims relating to Young Living, its Compensation Plan, its products, the rights and obligations of its distributors and Young Living, or any other claim or cause of action relating to product purchase(s) or performance, either of a distributor or of Young Living under the Distributor Agreement, shall be settled totally and finally by arbitration in Salt Lake City, Utah, unless the laws of the state in which you reside expressly require otherwise. There shall be an arbitrator, an attorney-at-law with expertise in transactional law (there being a strong preference for an attorney knowledgeable in the direct selling industry), selected from the panel in which the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. If you file a claim or counterclaim against Young Living, you may do so only on an individual basis and not with any other distributor or as part of a class action. The decision of the arbitrator shall be final and binding upon the parties and may, if need be, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitrate shall survive any cancellation or expiration of the Distributor Agreement. Nothing in these

Policies and Procedures shall prevent Young Living from applying to and obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction, permanent injunction, or available relief to safeguard and protect Young Living's interest prior to, during, or following the filing of any arbitration or other proceeding, or pending the rendering of a decision or award in connection with any arbitration or other proceeding. The existence of any distributor claim or cause of action against Young Living does not preclude Young Living from enforcing the distributor's covenants and agreements contained in the Distributor Agreement.

#### **13.2.2 Jurisdiction, Venue, and Choice of Law**

Jurisdiction and venue of any matter not subject to arbitration shall reside in any state or federal court located in Salt Lake City, Utah, unless the laws of the state or country in which the distributor resides expressly require otherwise, despite this jurisdiction clause. By signing the Distributor Agreement, you consent to jurisdiction within these two forums. The laws of the state of Utah shall govern disputes involving the Distributor Agreement.

#### **13.3 Disciplinary Actions**

At Young Living's discretion, violation of any of the terms and conditions of the Distributor Agreement, these Policies and Procedures, or any illegal, fraudulent, deceptive, or unethical business conduct may result in one or more of the following sanctions:

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

#### **13.4 Appeals of Disciplinary Action**

Following issuance of a sanction or disciplinary action (other than a suspension pending an investigation), you may appeal the sanction to the Executive Review Committee. The appeal must be in writing and received by the Company within fifteen (15) days from the date of the disciplinary action. If the appeal is not received within the fifteen-day period, the sanction will be final. Submit all supporting documentation with appeal correspondence. The Executive Committee will review and reconsider the sanction, consider other appropriate action, and notify the distributor in writing of its decision.

### **SECTION 14 – INACTIVITY, REACTIVATION, AND CANCELLATION**

#### **14.1 Inactivity**

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

If you remain inactive for a period of twelve (12) consecutive months, you will be effectively dropped from the Young Living sales organization and your Distributor Agreement cancelled. Any existing sales organization or downline will in effect "roll-up" to your first active upline distributor.

To maintain contact with dropped members, your name will be added to a list of inactive members that may be accessed by your first upline Silver Leader or above.

#### **14.2 Reactivation**

Distributors dropped for inactivity may reactivate their membership by contacting DNS and requesting reactivation. Reactivating members must thereafter satisfy the PV requirements, and they will be reactivated under their prior sponsor/enroller unless otherwise requested. Should the prior sponsor be inactive, the member will be reactivated under the first active upline member. Reactivating members have no claim to downline that was lost when they were dropped for inactivity and are treated as a new member.

#### **14.3 Involuntary Cancellation or Termination**

Violation of any of the terms of the Distributor Agreement constitutes a material breach of the Distributor Agreement and may result in any disciplinary actions listed in Section 13.3, including cancellation or termination of the Distributor Agreement. Involuntary cancellation or termination will result in the loss of all rights to the downline organization and any commissions or bonuses generated thereby. Distributors who are

terminated shall receive compensation for the last full calendar month prior to termination of their distributorship.

When a distributor is terminated for cause, the distributor will be notified by mail or other delivery method, calculated to reach the recipient at the address on file. Cancellation is effective on the date on which written notice is issued. The terminated distributor must immediately cease representing himself or herself as a Young Living distributor.

A distributor who has been terminated for cause may reapply to become a distributor twelve (12) calendar months from the date of termination. Any such distributor wishing to reapply must submit a letter to Young Living Distributor Compliance setting forth the reasons why he/she believes he/she should be allowed to operate a Young Living business. It is within Young Living's sole discretion whether or not to permit such a request.

#### **14.4 Voluntary Cancellation**

You may cancel your Distributor Agreement at any time and for any reason. Written notice must be provided to the Company and must include your signature, printed name, member number, address, PIN, and telephone number.

If you voluntarily cancel your Distributor Agreement, you may become a Preferred Customer or customer. Additionally, you may reapply to become a distributor six (6) months after the cancellation date.

#### **14.5 Effects of Cancellation**

Upon cancellation or termination, you release all rights to your distributor benefits including the downline organization and all future commissions and bonuses resulting from the downline sales production.