

R & R

Statement of Rules and Responsibilities
of Tersano Independent Distributors

UNITED STATES OF AMERICA

Effective September 1, 2009

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RULES AND REGULATIONS

These Rules and Regulation of Tersano Independent Distributors (R&R), are effective as of the date first displayed above and govern the way a Tersano Independent Distributor conducts business with Tersano (International) SRL (the “Company”), Tersano Inc., other Distributors, and with retail Customers. They replace and succeed all previous versions. The governing definitions are capitalized and found under the Terms and Conditions. Any interpretation, clarification, exclusion, or exception to these Rules and Regulations, in order to be effective, must be in writing and signed by an authorized officer of the Company. The Company endeavors to enforce the **R&R** on a uniform and nondiscriminatory basis. However, any failure to enforce any of the provisions of the **R&R** with one Distributor does not waive the Company’s right to enforce any such provision(s) with that same Distributor or any other Distributor.

These Rules and Regulations, the Compensation Plan (included), the Statement of Beneficial Interest (if any), the Distributor Agreement and any country or situation-specific addendum(s) thereto, and any other written agreement between the Distributor and the Company in their present forms and as amended from time to time at the sole discretion of the Company, are by this reference incorporated into, and form an integral part of, what is collectively referred to as the “Contract.” Each Distributor has the responsibility to read, understand, adhere to the Contract and ensure that he or she is aware of and operating under the most current version of the Contract. When Sponsoring a new Distributor, the Sponsoring Distributor shall provide the most current version of the Contract to the applicant prior to his or her execution of the Distributor Agreement. By signing a Distributor Agreement or accepting Commissions from the Company, a Distributor demonstrates that he or she has read and understands and consents to abide and be bound by the Contract and any amendments thereto.

The Company may amend any part of the Contract from time to time as laws and business circumstances change; however, notice of any amendment will be published by the Company on its website at least thirty (30) days before the change is made effective. It is the responsibility of all Distributors to regularly review the most recently published Contract, located at www.mytersano.com or other Company websites. The Company will also provide a copy of its most current Contract upon the Distributor’s request.

Please read this document carefully.

CODE OF ETHICS

The Company has made a commitment to provide its Distributors top quality Products, exceptional support and a proven, successful Compensation Plan. A Distributor may purchase Products directly from the Company for both personal use and for resale to consumers. In turn, a Distributor agrees to represent the Products and income opportunity in an ethical and professional manner. Each Distributor agrees to abide by the following Code of Ethics:

As a Distributor:

- I will be respectful of each and every person I meet while doing the Distributor Business.
- At all times I will conduct myself and my business in an ethical, moral, legal and financially sound manner and will not engage in any deceptive or illegal practice.
- I will not communicate disparaging comments about competitors' products to others and shall not communicate slanderous, libelous and derogatory statements about competitors or other Distributors.
- I will not engage in activities that would bring disrepute to the Company, other Distributors, or me.
- I will be truthful in my representation of the Products and will make no Product claim that is not contained in and supported by official Company publications.
- I will fulfill my leadership responsibilities as a Sponsor by training, assisting, and otherwise supporting the Distributors in my Downline Organization.
- I will correctly and lawfully represent the Compensation Plan and the income potential represented therein.
- I will abide by each and every term and condition of the Contract.
- I will honor the terms of the Product return and refund policies with all of my retail Customers.
- I will respect the Sponsor relationship of every other Distributor and I will neither attempt to interfere with or change these relationships nor make disparaging or untrue claims about other Distributors.

DEFINITIONS AND TERMS

Applicant

A person who has submitted a Distributor Agreement

Authorized Country

A country that the Company has officially sanctioned to be available to all Distributors for conducting the Distributor Business.

Autoship

An optional program that authorizes the Company to automatically ship Product to a Distributor on a recurring monthly, quarterly, or annual basis.

Beneficial Interest

A Person is deemed to have a Beneficial Interest in a Distributorship if he/she/it has: (1) any direct or indirect ownership in a Distributorship as an individual, partner, shareholder, member, manager, beneficiary, trustee, officer, director or principal of a Distributorship; (2) has any actual or de facto control over a Distributorship; (3) receives any income directly or indirectly from a Distributorship (other than the receipt of income pursuant to the Compensation Plan by an Upline Distributor); (4) receives familial support from a Distributorship; (5) receives spousal support derived from a Distributorship; (6) is a member of the Distributor's immediate household; (7) is a spouse or Co-habitant; or (8) has any other similar interest in a Distributorship.

Business Entity

Any type of business association authorized under the laws of the jurisdiction in which it was organized. This includes, but is not limited to, legally formed: corporations, partnerships, trusts, and limited-liability companies.

Business Group

A Business Leader's First, Second, Third, and Fourth Level Business Leaders.

Business Group Volume (BGV)

The total Personal Group Volumes of one's Business Leaders, four (4) levels deep, plus one's own Personal Group Volume.

Business Leader

Any Tersano Independent Distributor appointed to the rank of Team Leader, Sales Coordinator, Sales Executive, Director, Executive Director, President's Circle, or Chairman's Circle.

Co-habitant

An individual who is 18 years of age or older who shares with another person a common residency and marriage-like relationship.

Confidential Information

Information disclosed to the Distributor pursuant to the Contract or information gathered by a Distributor about other Distributors in connection with their promotion of Products or sales materials, including, but not limited to, information regarding (i) Downline Organizations or Upline Distributors, including Distributor names and contact information, Customer information developed by Company or developed for and on behalf of the Company by Distributors through Distributor meetings, websites, email and/or profile gathering tools, and any other electronic or manual application used by a Distributor or his agent to gather, store, and/or develop any information about Distributors and Customers (including but not limited to credit data, retail customer and Distributor profiles, and product purchase information and (ii) customer lists, manufacturing and supplier information, business reports, commission or sales reports, business plans, projections, trade secrets, intellectual property, analyses, and related information and other financial and business information that would be reasonably understood to be confidential and/or give competitive advantage. Confidential Information may take the form of documentation, drawings, specifications, software, technical or engineering data, or other forms, and may be disclosed orally, in writing, by electronic or magnetic media, by visual observation, or by other means.

Date of Sign-up

The date the Company receives and accepts an Applicant's Distributor Agreement bearing an original signature or electronic copy of an original signature.

Downline Organization

A genealogically structured organization comprised of Distributors and their Customers who are below a Distributor in his or her Sponsor Tree or Placement Tree. The Distributors will have been personally Sponsored (i) by a Distributor and be downline of that Distributor through Placement or Sponsorship, or (ii) by those who the Distributor has Sponsored or placed through Placement, and their respective Customers, all in a direct chain of Distributorships below the Distributor.

First Level Business Leader

The first distributorship qualified for and maintaining Team Leader rank or higher, down any sponsorship line.

Personal Group

All one's downlines, down to, but excluding, one's Business Leaders and their respective Sponsorship Groups.

Personal Volume (PPV)

The total PV of one's purchases of Tersano products for a given month, plus transfers received and minus transfers out.

Personal Group Volume (PGV)

The total Personal Volume of the members of one's Personal Group, plus one's own Personal Volume. PGV includes the PGV of a breakout in the month of appointment.

Pre-Launch Period

A period of time announced by the Company prior to a country becoming an Authorized Country during which a Distributor may begin preparation to commence the Distributor Business within that country.

Product

Any good or service that has Volume assigned to it and that is offered by the Company. Sales tools and promotional material are not included in this definition.

Purchase Volume (PV)

A non-monetary point value specified by Tersano for each product on which Tersano pays bonuses and measuring qualifications. The PV for each Tersano product is listed in the Tersano Confidential Price List and may change from time to time as product prices change.

Reappointed Business Leader

When a Business Leader's Paid As title matches their Appointed Title after having been paid for qualifying for a lower rank than their Appointed Title.

Recruiting

Actual or attempted solicitation, enrollment, encouragement, or effort to convince, persuade, or influence in any way, directly, indirectly, or through a third-party (including, but not limited to, the use of a website), another Distributor to sell or purchase products or services and/or to enroll or act as an independent distributor, employee, executive, or consultant to or on behalf of another direct selling, network marketing, or multi-level marketing company that operates in any way, conducts business, or has distributors in any Authorized Country. This conduct constitutes Recruiting even if the Distributor's actions are in response to an inquiry or communication made or initiated by another Distributor.

Sales Tool

Any information, material or product created by the Distributor for Distributor Business.

Senior Business Leader

With respect to any given Business Leader, the first Business Leader above him or her in the sponsorship line.

Service-related Establishment

An enterprise where the general public typically does not have ready access unless through appointment or membership, and/or where the primary-function of the enterprise is the rendering of professional services rather than selling merchandise. Examples include, but are not limited to private or restricted-access offices, salons, spas, gyms, health clubs, or private associations that may retail some products, but whose primary purpose is to offer a service.

Sponsor

As a noun: a Distributor who has directly recruited another Distributor into his or her Downline Organization; as a verb: the act of directly recruiting another Distributor into his or her Downline Organization.

Sponsorship Line

The sequence of sponsor-recruit relationships that is created when Tersano Independent Distributors sponsor new recruits into Tersano. A sponsorship line extends above or upward from each new recruit in the following sequence to include all individuals in a single sponsorship line:

- New recruit;
- Immediate sponsor of the new recruit;
- Sponsor of the immediate sponsor of the new recruit, and so on.

In the case of resignations, terminations or Tersano-approved reorganizations to a new sponsorship line, the following sequence of events and relationships occurs and is referred to as a "roll-up":

- Tersano removes the departed Tersano Independent Distributor from their sponsorship line;
- That sponsorship line closes up; and
- Those who were sponsored directly by the departed Tersano Independent Distributor now consider the sponsor of the departed Tersano Independent Distributor to be their immediate sponsor.

Statement of Beneficial Interest

A document required as part of the Contract if an Applicant is applying as a Business Entity. The Statement of Beneficial Interest must list all persons who are partners, shareholders, principals, members, managers, officers, directors, trustees, beneficiaries, or who otherwise have any direct or indirect Beneficial Interest in or control over the Business Entity.

Status Review Board

Tersano management employees assigned to receive, review, and decide complaints alleging breaches of the **R&R**.

Tersano Independent Distributor

Anyone who has submitted a properly completed Tersano Distributor Application or Tersano Distributor Application along with a Statement of Beneficial Interest, and whose application has been accepted by Tersano (International) SRL.. If more than one Person is named on the Distributor Agreement, then "Distributor" may refer to all Persons collectively.

Titles

Appointed Title – The highest rank title ever achieved by a Distributor that is used for recognition purposes.

Paid As Title – The title for which a Tersano Independent Distributor meets all requirements and the level at which bonuses are paid. The Paid As Title of a Distributor, which will affect the Distributor's Commissions calculated from the Sponsor Tree (as defined in the Compensation Plan), may fluctuate monthly and depends on the Distributor meeting various qualifications outlined in the Compensation Plan.

Unencumbered Group Volume

Personal Group Volume excluding the Personal Group Volume of a First Level Director in the month of appointment.

Upline

The single-line hierarchy of Sponsors and/or Distributors extending upward from a Distributorship.

Wholesale

The price the Company charges Distributors for Products.

CHAPTER 1

RANKS AND REQUIREMENTS

Distributor

In order to become a Distributor, a Tersano Independent Distributor must:

- Provide a Social Security Number or an Individual Taxpayer Identification Number,
- Achieve 250 Personal Group Volume monthly.

Business Leader

To be appointed to and paid as a Business Leader, one must meet the following requirements:

- Achieve 2000 Personal Group Volume in a single month, including 100 Personal Volume
- Successfully complete Phase I of the online training program
- Be enrolled in the Personal Web Site program

Stacked Business Leaders

In the case of a Team Leader breaking out under another Team Leader who will be appointed in the same month (Stacked Appointment), the new Team Leader above in the sponsorship line must have a minimum of 1250 Unencumbered Group Volume, i.e., not including the Personal Group Volume of the new Team Leader(s) below, during the month of the qualification period.

Other Business Leader Requirements

Business Leaders must also:

- Demonstrate regular leadership, guidance, and service to their Personal Groups by applying their best efforts toward promoting Tersano products and the Tersano opportunity and by supporting the ideals of the Tersano philosophy.
- Maintain accurate sponsorship records. All Tersano Independent Distributors are provided with access to online services to aid in the development, maintenance and ongoing activities of their Personal Group. It is expected that all Tersano Independent Distributors read the training document for this online service thoroughly.
- Operate bona fide, independent Leadership without continued reliance on other Business Leaders for maintenance of rank.
- Adhere to, and enforce the compliance of all distributors of their Personal Groups with Tersano policies as outlined in this **R&R**, the Tersano Distributor Application, the Tersano Statement of Beneficial Interest, Tersano publications, and administrative letters to the Field, including any amendments to any of these documents that may be adopted from time to time. Business Leaders doing business in Canada must adhere to, and enforce the compliance of all members of their Personal Groups with, Tersano policies as outlined in official Tersano Inc. publications.

Tersano may reject a Team Leader appointment if the applicant:

- Exhibits poor leadership attributes;
- Has not complied, or refuses to comply, with the provisions of this **R&R**; or
- Has engaged in conduct that may adversely affect the reputation of Tersano or Tersano Distributors.

Although Business Leaders may share the expense of office space and one Business Leader may help another through temporary difficulties (but not on a continuing or indeterminate basis), Business Leaders may not prop up a sham or “paper” Business Leader through diverted orders or other devices. “Paper” Business Leaders are those who are Business Leaders in name only and do not actively operate their Tersano businesses but allow other Business Leaders to sustain and direct their sales leadership functions. This prohibition applies to all Business Leader ranks.

The Appointment Process

Tersano will make an appointment to Distributor or Team Leader when all requirements for that title have been met.

All appointments to Distributor and Team Leader are effective retroactive to the first day of the month in which qualifications are completed.

When a prospective Team Leader meets all requirements for appointment, with all required volume reflected on Tersano records, Tersano will make the appointment. If the Business Leader of record does not agree that the appointment should be made, the Business Leader may request that the Status Review Board (SRB) review the appointment.

Rank Maintenance

Requirements for maintenance of Team Leader rank are as follows:

- 2000 Personal Group Volume per month, including 100 Personal Volume.
- In the month in which one appoints a First Level Business Leader, one must have 1250 Unencumbered Group Volume, (i.e., 1250 Personal Group Volume not including the Personal Group Volume of the new Team Leader).
- A Business Leader must return their Personal Group Volume to 2000 in the month following the appointment of a First Level Director.

Unjust Enrichment

Tersano has established a time limit to prevent the Leadership Bonuses on established Business Leaders from being paid to new Business Leaders who intervene in the sponsorship line above the established Business Leaders, or to Reappointed Business Leaders who have not provided leadership to their Business Leaders for a long time.

Any potential Business Leader in a sponsorship line between an upline Business Leader and a First Level Business Leader must qualify and be appointed to the rank of Team Leader within one year of the most recent appointment date of the First Level Business Leader in order to be entitled to the Leadership Bonus on that First Level Business Leader. The newly appointed Team Leader must maintain rank as a Team Leader for six consecutive months in order to retain continuing rights to Leadership Bonuses.

Failure to achieve Business Leader rank in 12 months, or to maintain rank for six consecutive months, will result in the permanent loss of sponsorship rights and rights to Leadership Bonuses on the First Level Business Leader and their Sponsorship Group. The sponsorship line will be permanently broken above the First Level Business Leader and will be reconnected under the next eligible upline sponsor.

If a Business Leader is reappointed to Team Leader rank less than 12 months after that Business Leader's last appointment date, they will begin receiving Leadership Bonuses for which they are qualified immediately after reappointment, but must maintain rank as a Team Leader for six consecutive months in order to retain rights to Leadership Bonuses and sponsorship rights.

Senior Business Leader Ranks

Sales Executive

Qualified Business Leader with a minimum of:

- Two First Level Business Leaders, and
- 15,000 monthly Business Group Volume.

Director

Qualified Business Leader with a minimum of:

- Three First Level Business Leaders, and
- 25,000 monthly Business Group Volume.

Executive Director

Qualified Business Leader with a minimum of:

- Four First Level Business Leaders, and
- 50,000 monthly Business Group Volume.

President's Circle

Qualified Business Leader with a minimum of:

- Six First Level Business Leaders, and
- 100,000 monthly Business Group Volume.

Chairman's Circle

Qualified Business Leader with a minimum of:

- Twelve First Level Business Leaders,
- Two Paid As President's Circle Legs, and
- 250,000 monthly Business Group Volume.

All Senior Business Leader Ranks

Appointments to the rank of Sales Executive and higher will be made retroactive to the beginning of the first month for which Tersano determines qualifications have been met. Senior Business Leader ranks, which include Sales Executives, Directors, Executive Directors, President's Circle and Chairman's Circle, carry the highest levels of privilege and responsibility under the Tersano Compensation Plan. Tersano will appoint only those candidates who, in Tersano's assessment:

- Exemplify loyalty to Tersano;
- Provide the superior leadership and service required of the rank.

In keeping with the above qualifications, no Senior Business Leader of any rank may operate another direct selling business or be a distributor, employee, or consultant for another direct selling company.

CHAPTER 2

COMPENSATION

4 Ways to Earn

With the following Compensate Plan, every Independent Distributor has 4 ways they can earn money from the Company, namely, Personal Retail Profit, Personal Group Bonuses, Business Group Bonuses and Group Volume Bonuses.

Personal Retail Profit

The difference between your Wholesale purchase price and your selling price. Currently set to be up to 15%.

Personal Group Bonuses

To be bonus eligible, one must be a Distributor or higher and eligible to be paid directly by the Company. In addition, one must have a minimum of 100 Personal Volume for that calendar month. Personal Group Bonuses are paid net of Personal Group Bonuses paid to Distributors in one's Personal Group. Your personal group bonus is calculated on your Personal Group Volume (PGV) and does not include your Business Group Volume (BGV) if you have achieved any type of Business Leader rank at all (Team Leader or higher).

If a Business Leader does not meet the minimum requirements for their title, their Personal Group Bonus percentage will be determined based on their current month Personal Group Volume.

Personal Group Bonus Schedule

<u>Personal Group Volume</u>	<u>Bonus</u>
250 – 499	5%
500 – 999	10%
1000 – 1999	15%
2000 – 3499	20%
3500 – 4999	24%
5000 – 7499	26%
7500 – 9999	28%
10,000 and higher	30%

Business Group Bonuses

A Business Leader must meet all rank maintenance requirements to be eligible for Leadership Bonuses.

Tersano reserves the right to withhold some or all of the Leadership Bonuses paid to a Business Leader on any downline Business Leaders when that Business Leader has failed to fulfill their leadership responsibilities. Other remedies may be applied for failure to fulfill the responsibilities of a Tersano Leadership position, including retitling of rank or termination, as provided in the Business Policies Chapter.

At Tersano's discretion, bonuses will not be reassigned to any upline Business Leader if the Business Leader from whom they are withheld has an overdue Accounts Receivable balance.

Business Group Volume (BGV) is the total of all the PGV of each Business Leader in your organization, down to four levels of Business Leaders. BGV is calculated four levels deep, regardless of the number of levels on which you are paid. The bonuses shown below are paid on that Business Leaders' PGV. Appointed titles are always maintained but Business Group Bonuses are paid on the level earned for that month.

Business Group Bonus Schedule

Paid As Title	Sales Coordinator	Senior Executive	Director	Executive Director	President's Circle	Chairman's Circle
First *	1	2	3	4	6	12
Business Group Volume	NA	15,000	25,000	50,000	100,000	250,000
1st Level	6%	6%	6%	6%	7%	8%
2nd Level		8%	8%	8%	8%	8%
3rd Level			4%	4%	4%	4%
4th Level				4%	4%	4%

* Number of first level Business Leader

Group Volume Bonuses

In addition to getting paid on PGV (Personal Group Bonus) and BGV (Business Group Bonus), there is a Group Volume Bonus that pays on every person in your team that is at your rank or below and pays infinitely deep. As an example, an Executive Director would earn from a Team Leader, Sales Coordinator, Sales Executive, Director or Executive Director but won't earn from anyone who has a rank above Executive Director.

The Group Volume Bonus encourages Distributors to get to Team Leader as that is when the Group Volume Bonus starts.

This bonus encourages Business Leaders to break people out because they should make more on the new Business Leader than when they are in the Distributors Personal Group.

Really encourages Business Leaders to advance in rank because as they advance in rank they earn higher Group Volume Bonuses.

Really encourages working in depth because the Business Leader gets paid to infinite levels.

Group Volume Bonuses are paid net of Group Volume Bonuses paid to Business Leaders in your Downline Organization.

Group Volume Bonuses

	Sales Coordinator/ Team Leader	Sales Executive	Director	Executive Director	President's Circle	Chairman's Circle
Downline Sales Coordinator/Team Leader	1%	2%	3%	4%	5%	6%
Downline Sales Executive		1%	2%	3%	4%	5%
Downline Director			1%	2%	3%	4%
Downline Executive Director				1%	2%	3%
Downline President's Circle					1%	2%
Downline Chairman's Circle						1%

Benefits of Distributorship

In addition to receiving certain Tersano publications, Tersano Independent Distributors are eligible to qualify for:

- Appointment to Team Leader
- Personal Group Bonuses
- Participation in promotions and incentive programs announced from time to time in Tersano publications.
- Attendance at various seminars, conferences and conventions, as announced by the Company from time to time.
- Periodic mailings of the Tersano catalog throughout the year.

Business Leaders are eligible to:

- Qualify for bonuses to be paid directly by Tersano
- Attend periodic and varied seminars, conferences, and conventions. If an event has qualifications, the qualifications for these events will vary according to the nature of the program and the location; Tersano will inform Business Leaders of qualifications and other details as appropriate.
 - Convention attendance is a privilege, not a right. Tersano reserves the right to determine whether a Business Leader has satisfied the qualifications for a given convention or travel incentive. Participation of any Business Leader will be at Tersano's sole discretion.
- Participate in additional incentive programs announced from time to time in Tersano publications.
- Receive recognition in Tersano publications and at Tersano conventions.
- Utilize the survivorship benefits, as explained in the section on "Survivorship."

CHAPTER 3

BUSINESS POLICIES

General Sales Policies

- Tersano sells its products directly to all Tersano Business Leaders and to those Distributors who choose to order directly from Tersano. Tersano credits the appropriate account with the PV for the orders placed directly with Tersano. Those Tersano Independent Distributors who do not order directly from Tersano may purchase their products from their Distributor or Business Leader of record.
- A Tersano Independent Distributor may not sell, or ship products directly from the Company by means of temporary address changes, to Tersano Independent Distributors who were sponsored outside their Personal Group without an agreement with the Business Leader of record to ensure that the PV is transferred to the Tersano Independent Distributor.
- All Tersano Independent Distributors are free to sell to any retail customer who is not sponsored into Tersano, even if another Tersano Independent Distributor is supplying the customer.
- All Tersano Independent Distributors are free to resell Tersano products at any price they choose. The prices that Tersano publishes are suggested only, and Tersano Independent Distributors are free to determine for themselves the prices they charge when reselling products from their inventory.

Commissions are paid to Distributors who qualify pursuant to the Compensation Plan and who are in compliance with the Contract. A Distributor's success is only achieved through the regular and repeated Retail Sale of Products and the regular and repeated Retail Sales by its Downline Organization. As the success of any Distributor depends largely on the personal efforts of that Distributor, the Company does not guarantee any level of profit or success, nor does it guarantee a Distributor a specific income. A Distributor does not receive compensation for sponsoring or recruiting other Distributors. The only way to earn Commissions is through the sale of Products.

The Company will pay Commissions to qualified Distributors on Product orders which: (i) are received by the Company before the end of the Commission period, and (ii) have been fully paid with appropriate payment. Commissions are paid in the name of the Business Entity listed on the Distributor Agreement. When no Business Entity is listed, Commissions are paid to the personal name of the first Person listed on the Distributor Agreement. Commissions are paid on or before the 20th day of each month. All non-online Product orders must be received by the Company before 5:00 p.m. Eastern Standard Time on the last business day of the month to be included in that month's Commission calculation. Online Product orders must be received by the Company before 11:59 p.m. Eastern Standard Time on the last day of the month to be included in that month's Commission calculation. If a Distributor believes that there is an error in the computation of Commissions and/or program qualifications, the error must promptly be brought to the attention of the Company. If such problems are not presented to the Company in writing within forty-five (45) days after the end of the relevant Commission period, the Distributor waives all recourse with respect to such alleged error.

In the event that a Commission check must be reissued to a Distributor, the Company will charge the Distributor a fee of fifteen dollars (\$15 USD or equivalent local currency). If a check must be reissued because of the Company's error, no additional charge will be applied.

The minimum amount for payment of commission and bonus checks is ten dollars (\$10 USD or equivalent local currency). Commissions and/or bonuses in an amount less than ten dollars (\$10 USD or equivalent local currency) for a pay period will accumulate until they equal or exceed ten dollars (\$10 USD or equivalent local currency).

The Company makes every effort to ensure that a Distributor receives its commission checks. However, if a commission check has been sent to a Distributor's last known address but is returned because the Distributor has moved without a forwarding address or the check is returned or not presented for payment for some other reason beyond the control of the Company, the check shall be voided and the amount may be credited to the Distributor's account 180 days after its date of issue, and the Distributor will be charged a processing fee of fifteen dollars (\$15 USD or equivalent local currency) and a bank cancellation/stop payment fee of ten dollars (\$10 USD or equivalent local currency). Thereafter, a monthly maintenance charge of ten dollars (\$10 USD or equivalent local currency) will be deducted from the Distributor's account.

Manipulation of the Compensation Plan is not permitted and may result in disciplinary action. Manipulation of the

Compensation Plan includes, but is not limited to, a Distributor purchasing, to qualify for various Ranks or Commissions, large quantities of Product that are not sold through the direct marketing channel, placing orders in his/her Downline Organization, and any other actions that may violate state, federal or foreign anti-pyramid scheme laws. Such manipulations may, in the discretion of the Company, result in the suspension of Commissions and termination of the Distributorship.

The Distributor authorizes the Company to deduct fees from its Commissions as deemed appropriate in accordance with Section 6 herein or any other term or condition of the Contract. Any fees will be assessed at the sole discretion of the Company.

Ordering Company Products

As the Company imposes no specific minimum inventory requirement on its Distributors, a Distributor must use its own judgment to determine the amount of inventory it will need to sustain its projected Retail Sales and personal use.

Products can be ordered by telephone, mail, facsimile, Internet, or by direct request at the Company's headquarters.

- ▶ Faxed, mailed, or personally delivered orders must be submitted using a current Distributor price list and a fully completed order form. The prices of the Company's Products are subject to change at the discretion of the Company.
- ▶ Payment must be the exact amount of the order and may be made by credit card (Visa or Mastercard.) Bank wires may be available for high Volume orders only.
- ▶ Orders must be paid in full prior to pick-up or shipping. All shipping and handling costs are based on delivery location and the amount of Products ordered.
- ▶ Unauthorized use of another Person's credit card is prohibited.
- ▶ An order placed over the phone is not deemed made to the Company until the Company customer service agent provides the Distributor or Customer an order number.

Where will call service is available, a Distributor may pick up the order at the will call location. The Company may ship, at the Distributor's expense, Product that has been marked for will call pick-up if the Product has not been picked up by the Distributor within ninety (90) business days of the scheduled Autoship date, or the end of the calendar month, whichever is latest. If the Product is shipped to the Distributor from the will call location, the Company may use any payment method noted on file to collect the shipping fees. Alternatively, the Company may, in its sole discretion, (i) convert such order to another Company Product order, or (ii) cause the Distributor to forfeit the order.

If the Company is temporarily out of stock on ordered Product, a Distributor will receive a "back order" notice with his or her shipment. Back orders are filled first as new inventory arrives. Volume on back orders is credited to the month in which payment for the original order was received by the Company.

Any payment that is not supported by sufficient funds or that is returned uncollected constitutes a breach of the Contract. The Company will assess a handling fee of twenty dollars (\$20 USD or equivalent local currency) for all payments lacking sufficient funds. The Company reserves the right to restrict a Distributor's payment method.

- ▶ When there are not sufficient funds, the Distributor is responsible for all bank charges plus the Company's handling fee. If there are insufficient funds, the Company will put a hold on the Product or cancel the shipment. If the Product has already been shipped, the Distributor will be expected to use an alternate means of payment for the Product. If payment is not received within a reasonable amount of time, the Company may proceed with collection measures, stop the future shipment of orders, and take any other recovery steps available to it under the Contract, including withholding Commissions.
- ▶ Any uncollected amount may be deducted from the Distributor's present or future Commissions.
- ▶ The Distributor understands that all Persons listed on the Distributor Agreement, or any Person having a Beneficial Interest in the Distributorship, will be held jointly and severally liable for the outstanding amount for unpaid Product and fees. It is expressly understood by the Distributor that this joint and several liability supersedes any limitations of liability otherwise available to the Distributorship or its Beneficial Interest holders.

Autoship Program

- ▶ A Distributor may choose to participate in the Autoship program. When instituting Autoship at the time of enrollment, the Distributor Agreement serves as confirmation for the setup. An Autoship account will be

charged at a set time during the month/quarter/year, and the Product will be shipped at a set time thereafter. The Distributor may obtain tracking numbers from the Company after the Product is shipped. The scheduled dates for Autoship processing, account charges, shipping or account changes are posted on the Company's mylotus office website and are subject to change by the Company from time to time.

- ▶ During winter months, the Company may utilize a cold-weather shipping program in certain geographic regions. This program is designed to prevent damage to Products from exposure to extreme weather conditions in certain regions. If used, the Distributor waives any claim against the Company for delayed shipments.

Payments will be verified prior to processing Autoship orders. In the event authorization is declined, the Company may attempt to contact the Distributor and reattempt to obtain authorization. If authorization is not obtained by the end of the month, the order will be considered "unprocessed" and will not be included in Commission computation and processing. The Company will not be held responsible for Volume shortfalls due to unprocessed orders.

To change or terminate one's Autoship, the Distributor must submit a written, or online request (including the date, the Distributor's name, identification number and the authorizing signature of the Distributor whose information is to be changed) to the Company by a set time each month. Such requests include, but are not limited to, changing the number of Products, shipping address, the payment method, etc. The scheduled dates for Autoship account changes are posted on the Company's mylotus office website and are subject to change by the Company from time to time.

Upon cancellation of the Autoship, a Distributor may return the most recent shipment, provided that the shipment is not older than sixty (60) days and the Distributor follows all other provisions of the refund policy. Simply returning Product or refusing shipment is insufficient to cancel Autoship. The Distributor must submit a cancellation request. The cancellation notice must be received in writing via online, fax, mail, personal delivery, or emailed with a scanned signature.

Seventy Percent Rule. A Distributor certifies with each new Product order that he or she has sold or consumed at least 70% of all Product purchased in prior orders. Each Distributor that receives Commissions and orders additional Product agrees to retain documentation that demonstrates compliance with this policy, including evidence of Retail Sales, for a period of at least four (4) years. A Distributor agrees to make this documentation available to the Company at the Company's request. Failure to comply with this requirement or falsely representing the amount of product sold or consumed in order to advance in the Compensation Plan constitute a breach of the Contract and is grounds for termination. Furthermore, a breach of this requirement entitles the Company to recover any Commissions paid to the Distributor for any period of time during which such documentation is not maintained or for which this provision has been breached.

PV Transfers

- Business Leaders may not transfer any PV amounts out of their account in any given month that would bring their volume below the level required for them to maintain rank.
- Business Leaders may transfer any amount of PV to any of their downline Business Leaders in a given month, provided that a transfer is not for purposes of maintaining a "paper" Business Leader.
- Business Leaders may not transfer more than 500 PV total to any other
- Business Leader in a given month. PV transfers above 500 per month must have prior Company approval.
- Excluding PV transfers from uplines, Business Leaders may not receive more than 1000 PV total from all other Business Leaders in any given month.
- Transfers from non-Business Leaders to Business Leaders are not permitted, except in exceptional situations and with Company approval.
- Distributors may transfer to another Tersano Independent Distributor in their Personal Group if the Distributor has sufficient Personal PV.
- Any misuse of the PV transfer to circumvent sponsorship or leadership
- Requirements, such as maintaining "paper" Business Leaders, is a breach of the **R&R**.
- PV credits for all sales in any given month to a Distributor in an another Business Leader's Personal Group must be transferred to the purchasing Distributor.

Export/Import Policy

Tersano (International) SRL products have been specifically formulated, manufactured, and labeled to comply with U.S. regulatory requirements. They are **NOT** formulated or labeled to comply with the laws of foreign countries. Likewise, the Tersano products formulated, manufactured, and labeled to comply with the laws of foreign countries, including Canada, do not necessarily comply with U.S. regulatory requirements. **Accordingly, no Tersano Independent Distributor may export Tersano (International) SRL products for sale to any other country, nor may any Tersano Independent Distributor import Tersano products from another country for sale in the United States.**

Specifically, this means that Tersano Independent Distributors may not directly sell or promote Tersano products for sale outside the United States. Further, no Tersano Independent Distributor may sell or promote Tersano products indirectly through another person or firm for sale outside the United States.

In the event that a Tersano Independent Distributor breaches this provision and sells a Tersano (International) SRL product outside the United States, such product will not be covered by the applicable Tersano guarantee or warranty. Accordingly, any Tersano Independent Distributor selling Tersano (International) SRL products outside the United States is solely responsible for the products and any related customer complaints or claims.

International Sponsoring

Tersano offers the opportunity to participate in the International Sponsoring Program (ISP). (For details, call Field Support and ask for an **International Sponsoring Form**, or download it from the Business Reference Library at mytersano.com.) In order to participate in the ISP, you must be a Tersano Independent Distributor in good standing and comply with two sets of rules: 1) The local compensation plan including the **Statement of Rules and Responsibilities of Tersano Independent Distributors (R&R)**, or equivalent document, as published and amended from time to time, of the country in which the Tersano Independent Distributor is sponsored, and 2) Tersano (International) SRL rules governing ISP as issued from time to time.

A Distributor has the right to operate in any Authorized Country where the Distributor may lawfully conduct the Distributor Business. It is a Distributor's responsibility to comply with all national and local laws, ordinances, and regulations when conducting Distributor Business in any Authorized Country.

- ▶ The Company may specify certain countries subject to a Pre-Launch Period in which Distributors may also conduct the Distributor Business. The Company may formally announce a Pre-Launch Period at least thirty (30) days prior to the official opening.
- ▶ A Distributor has no authority to and shall not conduct the Distributor Business (except as permitted herein), nor introduce or establish the Company's business or Product in a non-Authorized Country or any country that is not the subject of a Pre-Launch Period announcement from the Company. This includes, but is not limited to: any attempts to secure approval for Products or business practices; register or reserve the Company names, trademarks, trade names, or Internet domain names; or establish any kind of business or governmental contact on behalf of the Company.
- ▶ Prior to an announced Pre-Launch Period, Distributor Business in an unopened country is limited strictly to the following: A Distributor may only hand out business cards and participate in small meetings not exceeding eight (8) total persons personally acquainted with the Contract, and with any applicable national and local laws;
- ▶ Give guidance and encouragement to Distributors in his or her Downline Organization; and
- ▶ Make commercially reasonable efforts to privately settle any dispute arising in his or her Downline Organization.

Product Refund and Return

The Tersano Guarantee

Tersano Independent Distributors must honor the Tersano Guarantee by providing immediate refunds (or exchanges) on sales of personal use quantities (unit sales) to consumers dissatisfied with the products. (The Tersano Guarantee does not apply to product purchased for resale. See Inventory Returns below).

Tersano Independent Distributors should refund the full purchase price to their customer before obtaining reimbursement of the price they paid from Tersano. Tersano will process returns under the Guarantee provided Business Leaders submit a Product Experience Report (PER) by phone or mail. Applicable price differential and PV will be reversed and deducted from the uplines of record making the transaction revenue neutral for all parties.

If the purchase price of the returned products is greater than \$75, the product must be returned to Tersano before credit is issued. A Product Return Authorization (RA) number must be obtained from Tersano for these returns, and the customer is responsible for paying the shipping cost on the return.

Inventory Returns

To obtain refunds for inventory returns (as opposed to consumer refunds under the Tersano Guarantee), Tersano Independent Distributors, including Business Leaders, must resign their distributorships. Tersano will accept return of product inventory from Tersano Independent Distributors as long as the products:

- Are in good, salable condition. Products for return must not be past their expiration date, if applicable, or the shelf life of the products. They must have been purchased less than sixty (60) days before the date of return.
- Are unopened, with seals and labels intact, in new and unused condition.
- Show a printed expiration date on the label (if applicable) that is three or more months after the date of return.

Tersano will deduct from the refund the bonuses/commission paid to the resigned Distributor on the returned inventory, as well as a 10% handling charge. The Distributor is responsible for shipping the product, after receiving a RA number from the Company, back to the designated warehouse.

Direct Selling Rules

Tersano Independent Distributors may not sell or promote the sale of Tersano products to or from retail stores, commercial establishments, or Internet auction sites, either directly or through third parties. Any exceptions must be authorized by Tersano.

Achieving success as a Distributor requires time, effort and commitment. There are no guarantees of Commissions, only rewards based upon productivity. A successful Distributor Business requires regular and repeated Retail Sales of Products by a Distributor. Retail Sales by a Distributor's Downline Organization also contributes to the success of a Distributor Business. The Company encourages Retail Sales to at least two Customers on a monthly basis. A Distributor is required to keep all records of Retail Sales for at least four years and compliance with Retail Sales requirements of the Company is randomly monitored by the Company. Each Product purchased by non-Distributors or Customers is automatically counted on a monthly basis towards Retail Sales requirements.

Tersano Independent Distributors may not advertise on TV, radio, computer bulletin boards (e.g., CompuServe, Internet, etc.), electronic shopping malls, electronic kiosks, or the like. However, a Tersano Independent Distributor who has signed up for a Personal Web Site and paid the Personal Web site fee may promote their Tersano business on their mytersano.com web site in accordance with the terms and conditions of the Personal Web Site agreement.

Exclusive Tersano Training Centers

Tersano Independent Distributors may choose to have a Tersano Training Center under the following rules:

- A Tersano Training Center must look like an office, not a store, and it must be used exclusively for Tersano business (no other products may be displayed). You may display Tersano products, but product displays must be screened from outside view.
- In your center, you may sell Tersano products to Tersano Independent Distributors in your Personal Group, to prospects attending Tersano sales meetings, and to people enrolled in training classes conducted there.
- You may place an authorized Tersano sign, purchased at your own expense, which bears your Tersano trade-name and the Independent Distributor logo, on the exterior of your Training Center (no other signs may be displayed). No deviation from these guidelines or specifications is acceptable without written authorization from Tersano:
 - The sign must not exceed 24 inches by 48 inches in dimension.
 - It must contain one or more of the Tersano Independent Distributor Logo, and/or the lotus

Independent Distributor Logo, with the registered trademark symbol (®) included to the right of each logo. (The Tersano corporate logo may NOT be displayed on any sign).

- ▶ The sign may include only the name, DBA name, address, e-mail address and/or telephone number of the Tersano Independent Distributor.
- ▶ The authorized sign may be placed in a window or on a door of your training center; it may not be part of a freestanding display.
- ▶ Neon lights or other types of lighting may not be used on the sign.

Non-exclusive Commercial Locations

A commercial facility that is not used exclusively for Tersano business may not serve as a training center. To avoid being classified as a prohibited retail store, your commercial business location must comply with the following:

- No Tersano products (other than products in use) may be displayed in areas accessible to walk-in traffic, and no signs containing the Tersano tradenames, trademarks, or logos may be displayed in or outside the facility.
- You may sell Tersano products in the commercial facility only to members of your own Personal Group and only in an area that is totally separate from other commercial activities.
- You may sell products to enrolled members of health and exercise clubs and patients of physicians and other health care professionals as long as no Tersano products are displayed in the lobby or other public rooms accessible to nonmembers or nonpatients. If merchandise other than Tersano products is displayed at the club or at the health care professional's office, no Tersano product displays whatsoever are allowed on the premises.

Other Locations

Tersano Independent Distributors may display and demonstrate Tersano products and distribute Tersano sales literature at county and state fairs, business and job opportunity fairs, and the like as long as the appearance of the display upholds Tersano's quality image. Tersano products may not be sold to the public at these locations, but products may be displayed and free product samples given.

Ethical Business Practices

Tersano Independent Distributors have the responsibility to uphold the reputation of Tersano products and the Tersano opportunity by conducting their businesses in a lawful and ethical manner.

This policy is stated in the following cardinal rule, which all Tersano Independent Distributors must observe:

No product claims or compensation plan claims may be made other than those authorized in the *R&R*, Tersano publications, product literature, labels, and/or the Tersano Compensation Plan and related materials.

Tersano Independent Distributors have a responsibility to be familiar and comply with the currently effective provisions of the Compensation Plan, as outlined in the *R&R*, and other current policies announced in Tersano publications.

Unauthorized Claims and Practices

- Unauthorized claims include any verbal statements, printed or electronic material, or audio or video recordings used to promote the sale of Tersano products or the Tersano opportunity that are unsubstantiated by, or inconsistent with, the product claims, usage directions, and Compensation Plan provisions published by Tersano.
- Because Tersano products are not drugs, no Tersano Independent Distributor may make any unauthorized claim that Tersano products are useful in the treatment or cure of any disease or health-related condition.
- No Tersano Independent Distributor may make any statement that disparages or in any way damages the reputation of Tersano or Tersano products.
- Unauthorized compensation plan practices or misrepresentations of the compensation plan, such as exaggerated earnings claims and encouraging front end loading, are strictly prohibited. Front-end loading is the practice of urging new or inexperienced Tersano Independent Distributors to purchase more product inventory than they can reasonably be expected to sell within a reasonable period of time. When you make earnings claims, you must disclose average annual earnings by rank for the most recent calendar year, or such other

period of time as published by Tersano.

- Tersano prohibits the practice of paying “headhunting” fees. This is a monetary reward or fee paid by a Tersano Independent Distributor to a person or agency when a potential Tersano Independent Distributor who the person or agency has introduced to the Tersano Independent Distributor joins or attains a certain level in Tersano. The Tersano compensation plan stipulates that all rewards and bonuses are ultimately based on the sale of Tersano products, and paying a fee for assistance in recruiting someone is contrary to this policy and a misrepresentation of the compensation plan.
- Tersano does not review or approve literature prepared by Tersano Independent Distributors. Therefore, materials and statements published by Tersano Independent Distributors that imply approval or endorsement by Tersano are prohibited.
- Tersano Independent Distributors may distribute literature (newspaper or magazine articles, health newsletters, reputable studies on nutrition, etc.) relating use of Tersano products to disease or health-related conditions only if the following criteria are met and the literature is printed in its entirety. (As always, copyright law applies.)
 - It is not false or misleading.
 - It does not specifically promote the Tersano brand.
 - It presents a balanced view of the available scientific evidence.
 - It does not attach other information, such as your Tersano business card or name.
- Tersano Independent Distributors may not sell products that are damaged, reworked, or past their expiration date.
- Tersano Independent Distributors will be held responsible for unauthorized claims made at their meetings by their guest speakers, including doctors or other health care professionals.

Product Liability Insurance

Tersano (International) SRL provides indemnification and defense coverage for Tersano Independent Distributors against claims for accidental injury or property damage arising from defects in Tersano products after sale. However, Tersano product liability insurance will not protect you if you:

- Make any product representation or warranty not authorized by Tersano in current Company publications, Company literature, or product labels.
- Distribute product sales literature or sales aids that are not published by
- Tersano, are not current, or advocate unauthorized claims or uses regarding the products. (Tersano does not approve literature or sales aids written or produced by Tersano Independent Distributors.)
- Sell products or distribute samples of products that have been repackaged or removed from their original containers.
- Make any physical or chemical change to the product or change its label.

A Distributor shall immediately notify the Company’s legal department in writing of any potential or actual legal claims from third parties against the Distributor arising from, or associated with, the Distributor Business or the Downline Organization that may adversely affect the Company. After notifying the Distributor, the Company may take any action necessary to protect itself, including controlling any litigation or settlement of the legal claims. If the Company takes action in the matter, the Distributor shall not interfere or participate in the matter.

Unfair Business Activity

Direct Selling Companies

- No Tersano Independent Distributor may commingle their Tersano business, in any way, with that of another direct selling company. This includes:
 - Promoting the products of another direct selling company to Tersano Independent Distributors.
 - Soliciting Tersano Independent Distributors to join another direct selling company.
 - Selling Tersano and non-Tersano products together.
 - Using the Tersano name or meetings in any manner to promote the opportunity or products of another direct selling company.

- In addition, once a Tersano Independent Distributor attains the rank of Sales Executive or above, such Senior Business Leader may not have any involvement with another direct selling company, including sponsoring anyone into another direct selling company or promoting the products or opportunity of another direct selling company to anyone.

Non-Direct Selling Companies

Tersano Independent Distributors are free to sell products of non-direct selling companies. To do so, the following requirements must be observed:

- Tersano products and literature must be kept separate from non-Tersano items to avoid confusion between different companies' product lines and sales literature.
- Tersano Independent Distributors must not use the Tersano trade names, trademarks, service marks, Tersano goodwill, a Tersano Business Leadership position, a Tersano sales meeting, a Tersano convention, or anything relating to Tersano to promote the products or services of another company.

Doing Business on the Internet

The purpose of Tersano's Internet policy is to encourage responsible and professional use of electronic communication, to maintain a level playing field for all Tersano Independent Distributors, and to ensure compliance with regulatory requirements.

Although there are additional provisions elsewhere in this **R&R** that apply to conducting business on the Internet, such as making unauthorized claims for Tersano products, the following provisions apply specifically to the Internet:

- Tersano Independent Distributors may not use the Tersano name, product names, or trademarks for any business other than their Tersano business on their mytersano.com site.
- Tersano Independent Distributors may not use Tersano trademarks on any Internet site open to the public other than their mytersano.com web site, unless it is password protected utilizing a password that cannot be determined by individuals seeking to enter the site who have not been personally invited.
- Tersano Independent Distributors may not use the Tersano name, product names, or trademarks on banner ads, postings on message boards, on online auction sites, e.g., Ebay, within e-mail addresses (unless it is the e-mail address assigned to your Personal Web Site, e.g., myhealth@mytersano.com), or web page URLs, meta tags, or other web site locators.
- Tersano Independent Distributors may not send unsolicited e-mails (spam) to any person(s) with whom they have no prior relationship.
- Tersano Independent Distributors can link to other sites from their mytersano.com web site in accordance with the rules established in the mytersano.com agreement.
- Tersano Independent Distributors may link their independent web site to their mytersano.com site if they do not mention the Tersano name, product names, or trademarks on their independent site unless that site is password protected.
- Tersano Independent Distributors may not advertise, list, or refer to the price of Tersano products on their mytersano.com web sites or their independent site with the exception of the Suggested Retail Price.
- Tersano Independent Distributors may not sell or facilitate the sale of any web sites or pages that include the Tersano name, product names, or trademarks.
- Tersano Independent Distributors may not use any term or mark in their Internet address that may cause others to believe their web site is owned by Tersano Inc., Tersano (International) SRL, or any of its subsidiaries or divisions; nor may Tersano Independent Distributors use any term, name, or mark in the Internet address that may cause the public to believe they are dealing with Tersano Inc., Tersano (International) SRL or any of its subsidiaries or divisions.
- Tersano reserves the right to suspend or permanently remove any mytersano.com web site that breaches the **R&R** and/or Internet Guidelines.

For any issues regarding lack of compliance with these guidelines, send an e-mail to netviolations@tersano.com.

Advertising Policy

Recruitment Advertising

- Ads may not imply that the Tersano opportunity involves a salaried position; offers employment with Tersano; or guarantees a stated income, profit, or benefit. The Tersano name may be used in the body of the ad, but then the words “Tersano Independent Distributor” must be used in conjunction with your name.
- Ads may not misrepresent the Tersano compensation plan.
- If you choose to identify yourself in the ad, you must state that you are a Tersano Independent Distributor and provide your phone number, town, city, or area. No commercial address may be listed unless it is that of an authorized Tersano Training Center.

Product Advertising

- Only ads prepared by Tersano may carry Tersano trade names, trademarks, service marks, or copyrighted material. However, you may use “Tersano Independent Distributor,” the Tersano Independent Distributor Logo, and/or the lotus Home logo in ads you prepare.
- If you use an authorized product ad provided by Tersano, you must run it without alterations.
- Tersano does not restrict blind ads so long as the ad does not use Tersano trade names, trademarks, service marks, product names, or copyrighted materials.
- You must not represent any ads you place (including Tersano authorized ads) as being placed by Tersano or any of its subsidiaries or divisions.
- If you create your own ads, you are responsible for ensuring that the resulting ad is not unlawful or misleading.

Catalog Advertising

Tersano Independent Distributors may not advertise in a catalog that also advertises the products of other direct selling companies, or if the catalog is produced by a single retail outlet. They may advertise in a catalog that features advertisements for other, non-direct selling company products if the Tersano Independent Distributor determines that any customer responding to the ad is not a Tersano Independent Distributor in another group.

Design Guidelines

Three closely related symbols, or logos, are used to identify Tersano:

- The Tersano Corporate Logo, for use by the corporation only,
- The Tersano Independent Distributor logo, authorized for use by Tersano Independent Distributors, and
- The lotus Home logo, authorized for use by Tersano Independent Distributors.

All three of these logos are registered trademarks of Tersano Inc. Misusing these or any other Tersano trademark breaches this **R&R**.

Using Tersano Copyrighted Material

You may reproduce Tersano copyrighted material only when permission is specifically granted on the material, or if the material is accompanied by a written notice from Tersano specifically granting you permission to reproduce it. Copyrighted material must be reproduced in full and without alterations of any kind. All copies of any copyrighted material you reproduce with permission must also include the copyright notice that appears on the original (for example: “©2009 Tersano Inc.”).

Trademark Guidelines

The tradename “Tersano”, the Tersano Independent Distributor logos and most other Tersano trademarks and service marks are federally registered. Tersano Independent Distributors are authorized to use them, as long as they comply with the rules and guidelines in this section.

- Tersano trademarks are proper adjectives and should be followed by generic terms. The trademarks should be capitalized completely, used with initial caps and quotes, or with initial caps.
- Tersano trademarks should be marked with the appropriate symbol to indicate trademark status, i.e., the trademark should be followed by TM, or ® as shown in the Tersano Product Guide.
- Tersano trademarks should not be pluralized. Tersano trademarks should not be used in possessive form.
- To avoid confusion with the Tersano Internet address, www.tersano.com, the tradename “Tersano” and “lotus” or any variation of “Tersano” or “lotus,” may not be included in your e-mail address.
- Tersano reserves the right at all times to withdraw permission to use or display the Tersano and lotus trade name, trademarks, service marks, Tersano Independent Distributor Logo:
 - If Tersano guidelines governing their style and appearance are not met;
 - If Tersano determines that a usage adversely affects the reputation or interests of Tersano Independent Distributors or Tersano Corporation or any of its divisions or subsidiaries, or
 - If the user ceases to be a Tersano Independent Distributor.

Logo Usage Guidelines

The Tersano Independent Distributor Logo and the lotus Home Logo are trademarked representations of the Company, our products, and our philosophy. When using these logos in printed materials, you must follow the explicit Logo Usage Guidelines designed to preserve the distinctiveness of the logos and ensure their proper usage. The Logo Usage Guidelines are available online at mytersano.com.

CHAPTER 4

BECOMING A DISTRIBUTOR

Distributorship Eligibility

In order to become a Distributor, all Applicants must have reached the age of majority, usually eighteen (18) years of age, in the jurisdiction in which they reside.

An Applicant is authorized by the Company to exercise Distributor Rights and operate a Distributorship when he or she (i) purchases a Distributor kit; (ii) returns to the Company a completed and signed original or electronic (faxed or scanned) Distributor Agreement or signs through the Company's on-line application process (in those countries where it is available); and (iii) the Company accepts the Agreement. (The Distributor Agreement and other necessary forms are available on the Company's website.) In order to be accepted by the Company, a Distributor Agreement for the country in which the Applicant resides and any other required document of the Contract must be complete and correct in every respect and submitted by the Distributor. Failure of the Distributor to submit a complete and correct Agreement or to provide appropriate documentation, when requested, may result in the Distributor Agreement being rejected by the Company. The right to accept or renew any Distributor Agreement remains solely with the Company. A Distributor may be required to provide the Company with proof of residency, work authorizations, and ability to legally conduct business in the country stated on the Distributor Agreement.

Unless otherwise prohibited by law, the only purchases required to obtain and maintain a Distributorship are the Distributor kit and the annual renewal and materials fee. Product purchases are optional.

A temporary Distributorship will be created for those Distributor Agreements processed via the telephone until such time as the Company has received the completed Contract. This temporary Distributorship is subject to all the terms and conditions of the Contract and, while the original documentation is being received and processed, allows the Applicant to order Product for thirty (30) days. If the Applicant fails to provide the Company with an original, signed Distributor Agreement or electronic copy of the same within the thirty (30) days, the temporary Distributorship may be terminated.

If the Applicant is a Business Entity, the original signature on the Distributor Agreement must be of a Person authorized to bind the Business Entity. The Applicant must also submit with the Distributor Agreement: (i) an Identification Number for the Business Entity, and (ii) a Statement of Beneficial Interest, which must include the signature and Identification Number or other personal identification number of every Person having a Beneficial Interest in the Business Entity. To verify the form of the Business Entity, Beneficial Interest holders, and authorized signatories, the Company may require, at any time, the Applicant to submit a copy of its articles of organization, articles of incorporation or other charter documentation.

For tax reporting (where required) and identification purposes (where permitted by law), the Company requires Applicants to provide the Identification Number or other personal identification number. Failure to provide this number may result in rejection of the Application or cancellation of the Distributorship.

If the Company determines that the Distributor Agreement or the Statement of Beneficial Interest contains inaccurate or false information, it may immediately terminate a Distributorship or declare the Distributor Agreement null and void from its beginning. Further, it is the obligation of the Distributor to report to the Company on an ongoing basis any changes which affect the accuracy of the Contract.

If a Distributor changes his or her country of residence, the Distributor must submit to the Company: (i) a Distributor Agreement for the new country of residence (with "AMENDED" written across the top); (ii) a signed and dated notification request; (iii) authoritative documentation as proof of the new residence (e.g., a copy of the driver's license, passport, etc.); and (iv) a one hundred dollar (\$100 USD or equivalent local currency) processing fee. The Distributor will be responsible for complying with all terms and conditions of the Contract, including those specific to the new country of residence.

The Contract is valid for the period of one (1) year from the Date of Sign-up. Each year after that, the Contract may be renewed by payment of a renewal and materials fee. This fee must be paid by the Distributor on the annual anniversary of the Date of Sign-up when the Distributorship is required to be renewed. The purpose of this fee is to support Distributors by providing them with materials and information on the Company's Products, programs, Rules and Regulations, and related information. The Distributor expressly authorizes the Company to collect the annual renewal and materials fee using any payment method available, including charging any credit card on file for the Distributor or withholding from Commissions. A Distributor will forfeit Distributor Rights and agrees that his or her Distributorship may be converted to a Customer under

the current Sponsor, may lose its Downline Organization, and may forfeit the right to participate in the Compensation Plan, if the annual renewal and materials fee is not paid by the renewal date.

The authorization of a Distributor to exercise Distributor Rights and operate a Distributorship hereunder does not include a grant of an exclusive franchise or territory to a Distributor, nor is a Distributor allowed to make such claims.

Tersano reserves the right to reject any application when Tersano determines that acceptance of the application is not in the best interests of Tersano and/or Tersano Independent Distributors. Tersano Independent Distributors who join using an ITIN are subject to the following provisions:

- The IRS notice of ITIN must accompany the application.
- If a combined distributorship is formed by a Tersano Independent Distributor with an ITIN and a Tersano Independent Distributor with a valid SSN, the Tersano Independent Distributor with the valid SSN will be considered the primary member with the primary number. The same holds true for a husband and wife team; if one has an ITIN and the other a valid SSN, the SSN will be primary.

The Company may take photos, audio or video recordings, or written or verbal statements of a Distributor at Company events or may request the same directly from a Distributor. The Distributor agrees to and hereby grants the Company the absolute and irrevocable right and permission, to use, re-use, broadcast, rebroadcast, publish, or republish any such photo, audio, video, or endorsement, in all or in part, individually or in conjunction with any other photograph or video, or any other endorsement, in any current or future medium and for any purpose whatsoever, including (but not by way of limitation) marketing, advertising, promotion, and/or publicity; and to copyright such photograph and/or video, in the original or as republished, in the name of the Company, or in any other name. Regardless of any other agreements or contracts the Distributor may have with any other entity, the Distributor agrees that any use by the Company as set forth in this Section shall be royalty free, is a work made for hire, and is not subject to any other claim. The Distributor agrees to defend and indemnify the Company against any claims by any other party arising out of the Company's use of the rights granted herein. The Distributor confirms that the information he or she may give as a testimonial endorsement, or as represented in a photograph, video or audio is true and accurate to the best of his or her knowledge. The Distributor waives any right he or she may have to inspect or approve the finished or unfinished product(s), the advertising copy, printed, recorded, photographic or video matter which may be used in connection with it or any use that may be made of it.

The Distributor agrees that photos, audio or video recordings taken by the Distributor or any third party at the Company's events or activities may not be used by the Distributor or any third parties to promote any business other than the Distributor Business.

Status of Tersano Independent Distributorships

Every Tersano Independent Distributor is self-employed. As an independent businessperson, a Tersano Independent Distributor is free to conduct business in the ethically principled manner they deem best, subject to the conditions and responsibilities set forth in Company publications.

Tersano Independent Distributors are not Tersano employees and may not imply that they represent, or are employees or agents of, Tersano Corporation or any of its divisions or subsidiaries, or that their place of business is owned by or operated by, or for, Tersano (International) SRL or any of its divisions or subsidiaries.

Tersano will not approve any proposed change in the status of a distributorship if it is or becomes part of any attempt to circumvent any provision of the **R&R**.

One Sponsorship Position

- No Tersano Independent Distributor can be sponsored in more than one sponsorship position at a given time. All Tersano Independent Distributors must comply with the **R&R** rules governing reorganizations, resignation waiting periods, and survivorship in order to change their sponsorship.
- If a Tersano Independent Distributor has duplicate sponsorship records on file with Tersano, the later records normally will be canceled, and the Tersano Independent Distributor will be assigned the sponsorship position of the earliest valid record, regardless of any difference in ranks.

- Those sponsored under a Tersano Independent Distributor with an invalid duplicate record may individually choose one of two options:
 - 1) Move to the sponsorship line under the earliest valid record.
 - 2) Remain in their current sponsorship line.
- Tersano Independent Distributors are not permitted under any circumstances to simultaneously operate, directly or indirectly, through any arrangement or device, two different Tersano Distributorships in different sponsorship positions.

Change in Distributor Status

- **Marriage:** In keeping with the Tersano rule that a husband and wife cannot hold separate sponsorship positions, they must choose which one of them will transfer to the distributorship of the other, while leaving the transferring spouse's sponsorship group behind. If for some reason a dispute should arise over the choice of sponsorship lines, Tersano reserves the right to decide each case independently.
- **Divorce:** When any Tersano Independent Distributor with a Business Leader title or Sponsorship Group divorces, it is necessary to submit to Tersano a copy of the first page of the divorce decree and a copy of any other page indicating a division of the business, indicating which Tersano Independent Distributor will keep the title.

Compliance with Tersano Policies

Tersano Independent Distributors must be in compliance with the current provisions of the **R&R**, and other current policies announced in Tersano publications in order to retain their distributorships in good standing. Breach of the provisions of any of the publications listed above by any Tersano Independent Distributor be deemed a breach of their contract with Tersano and may result in the suspension or withdrawal of any one or more of the ranks, privileges, benefits, or bonuses (including Leadership Bonuses), conventions, and special incentives appropriate to remedy the breach. Failure to comply with these provisions and policies may also result in the immediate termination of the distributorship for breach of contract.

These remedies are in addition to any other legal remedies available to Tersano, including preliminary and permanent injunctive relief, to prevent a breach of the provisions of these publications.

The Tersano Status Review Board (SRB), formed to review and resolve breach of contract issues, will determine the appropriate remedy for any breach based upon the facts of each particular situation. Tersano Independent Distributors may request reconsideration of any SRB decision they believe is in error by sending a letter to Field Administration stating the reasons why they believe the decision is incorrect. Tersano Independent Distributors may appeal any decision of the SRB by sending a letter to the President and CEO of Tersano (International) SRL stating the reasons why they believe the decision was incorrect. Tersano will continue to use the history of the **R&R** and the interpretations provided in the past as guidance in enforcing the provisions of this **R&R**.

Tersano Policy Review

Tersano reserves the right, with a minimum of 30 days' notice, to modify all or part of its compensation plan, including, but not limited to, this **R&R**. All provisions of the compensation plan, including the **R&R**, shall be governed by the laws of the Province of Ontario. If disputes involving Tersano policies arise and Tersano determines that a policy decision is required, any decision Tersano makes will be final and binding upon all parties.

To protect Field morale from the disruption of old, continuing controversies, Tersano normally will decline to act on Field complaints concerning distributors' alleged breaches of the **R&R** if more than two years have elapsed from the date of the breach to the date of the complaint. Any complaints must be submitted to Tersano in writing by a person or persons who have first-hand knowledge of the facts.

CHAPTER 5

REORGANIZATIONS

Sponsorship Reorganizations

Tersano does not recommend that Tersano Independent Distributors, regardless of their rank, move from one sponsorship line to another (except by means of responsoring after resigning and fulfilling the waiting period).

If all other alternatives have been exhausted, and movement is necessary, the following rules must be observed. Tersano will not under any circumstances approve a request for reorganization that does not have all the required signatures. All reorganization requests must be accompanied by a \$50 fee to cover administrative costs.

Internal Reorganization (Movement within a Business Leader's Personal Group)

Single: This encompasses the movement of one Tersano Independent Distributor **only**.

- The Tersano Independent Distributor must apply to Tersano for reorganization by signing and submitting a **Reorganization Application**, which is also signed by the Tersano Independent Distributors current Business Leader of record and current sponsor.

Multiple: This encompasses the movement of **more than one** Tersano Independent Distributor, or one Tersano Independent Distributor and Personal Group within the Business Leader's Personal Group.

- The Tersano Independent Distributor or Member must apply to Tersano for reorganization by signing and submitting a **Reorganization Application**, which is also signed by the Tersano Independent Distributors Business Leader of record, and any intervening Tersano Independent Distributors between the Tersano Independent Distributor and the Business Leader of record.

External Reorganization (Movement outside a Business Leader's Personal Group)

Single: This encompasses the movement of one Tersano Independent Distributor **only** from the Personal Group of one Business Leader to that of another.

- The Tersano Independent Distributor must apply to Tersano for reorganization by signing and submitting a **Reorganization Application**. The application must also be signed by the Tersano Independent Distributor's current Business Leader of record, the current sponsor, the next three (3) upline Business Leaders, and the new Business Leader of record.

Multiple: This encompasses the movement of more than one Tersano

Independent Distributor, or one Tersano Independent Distributor and Personal Group from one Business Leader's Personal Group to that of another.

- The Tersano Independent Distributor must apply to Tersano for reorganization on behalf of himself and his Personal Group by signing and submitting a **Reorganization Application**. The application must also be signed by the current Business Leader of record, the next three (3) upline Business Leaders, any intervening Tersano Independent Distributors between the Tersano Independent Distributor and the current Business Leader of record, and the new Business Leader of record.

Sponsor Reorganization

A Business Leader may move a Tersano Independent Distributor whom they have personally sponsored, under another Tersano Independent Distributor in their Sponsorship Group provided:

- The Business Leader completes a **Sponsor Reorganization Application**. No fee is required.

- The Business Leader submits the **Sponsor Reorganization Application** to Tersano within three months of sponsoring the Tersano Independent Distributor.
- If the Tersano Independent Distributor originally applied by phone, the hardcopy application has been received by Tersano.

This reorganization option is open only to Business Leaders. The three-month period will be determined based on the entry date on file in Tersano's records.

Reorganization of Directors with Sponsorship Line Movement

Requests for reorganization of Sales Executives and above, with or without Sponsorship Group, will be permitted under the following circumstances:

- Approval of the four upline Business Leaders, and
- Approval of the Status Review Board.

If the reorganization will include the Business Leader's Sponsorship Group, Tersano will give courtesy notification of the proposed reorganization to the Director's downline Business Leaders.

If the proposed reorganization will result in an increase in Paid As Title, Tersano may withhold the new Paid As Title for a period of up to one year. This includes eligibility to earn bonuses at the new rank.

Reorganization and Purchase/Sale Violations

Actively soliciting or encouraging any Tersano Independent Distributor to move from one Personal Group to another disrupts morale and undermines the growth of stable Personal Groups. Accordingly, Tersano Independent Distributors may not abuse the reorganization or buy/sale process by engaging in such activities as using nominal "paper" distributorships, soliciting Tersano Independent Distributors to move to another group, withholding Distributor Applications, or using other subterfuges to circumvent sponsorship lines.

Purchase/Sale of a Distributorship

Tersano Distributorships may be bought and sold. At the completion of any sale, the Tersano Independent Distributor who buys a business will assume the sponsorship position and responsibility for the purchased business and group, while the seller will relinquish the sponsorship position, the responsibility, and group.

All purchase/sale transactions are subject to approval by Tersano. Tersano also requires that a copy of the purchase/sale document(s) be attached to the **Replacement Distributor Form**, along with a fee of \$50 to cover administrative costs.

Requirements

- The buyer must be a Distributor or above to acquire a distributorship below the rank of Team Leader, and a Sales Executive or above to acquire a distributorship at or above the rank of Sales Executive. The buyer must have held their current rank for a minimum of six months prior to acquiring another business.
- The seller, if a Business Leader, must have held their Business Leader rank for a minimum of one (1) year prior to the sale. The seller must offer their Senior Business Leader the first opportunity to acquire the distributorship and must provide Tersano with written evidence of that offer. If the Senior Business Leader refuses the offer, the seller may then offer the business to any other Tersano Independent Distributor of appropriate rank on comparable terms.
- Tersano reserves the right to deny approval of a sale to any Business Leader who previously approved the reorganization of any Tersano Independent Distributors into the Personal Group of the distributorship that they propose to acquire. Any other reorganizations, terminations or resignations submitted near the time of the sale may be reviewed as part of the proposed sale.
- If the buyer wishes to take their Personal Group with them, this must be indicated on the Replacement Distributor Form and is subject to approval by Tersano, the buyer's current Business Leader of record, the next three (3) upline Business Leaders, and the seller's Business Leader of record, in addition to the signature(s) of any intervening Tersano distributorships between the buyer and the current Business Leader of record. If the buyer does not take their Personal Group, the buyer must sign an agreement not to solicit members of their former Personal Group to move with them.

- The seller has the option of remaining active (without group) as a Tersano Independent Distributor under the buyer and cannot be reappointed to the rank of Team Leader without prior approval of Tersano. The seller also has the option to resign. Any former Business Leader who has sold their business and resigned must receive the approval of Tersano in order to responsor.
- After approval of the purchase, the buyer will assume the rank of the seller. Typically, Tersano requires a reasonable waiting period (normally one year) before the rank of Director, Executive Director, President's Circle and Chairman's Circle, and eligibility for bonuses at those Paid As Titles, is granted.
- No buyer may begin to operate the seller's business or assume any sponsorship rights until they receive an approved and processed copy of the Replacement Distributor Form.

CHAPTER 6

TERMINATIONS

A Tersano Independent Distributors relationship with Tersano may be terminated by one of three procedures:

- Resignation;
- Non-renewal;
- Termination for Breach of Contract.

Tersano Independent Distributors who terminate lose all rights related to their sponsorship groups, and members of the sponsorship groups move a step up in their respective sponsorship lines. Upon termination, all rights, privileges, and benefits of their status end, including sponsorship rights in Tersano, bonuses, and authorization to sell Tersano products and to use Tersano trademarks. These rights may not be transferred.

Upon termination of the Contract, all of the Distributor's rights in and to the Distributorship and the Distributor Business are revoked and terminated. In acknowledgement of the damages the Company has likely suffered and/or will suffer as a result of Distributor's breach, including but not limited to, all or any of the following: (i) loss of good will and loss in the value of the Company's confidential and proprietary information and trade secrets; (ii) loss of a portion of the value of the Company's business; and (iii) loss of future profits; Distributor consents that any unpaid Commissions may be forfeited to the Company to offset a portion of the damages.

Where the Company elects to terminate a Distributorship in which there is more than one Beneficial Interest holder, the following may apply:

- The departing Beneficial Interest holder(s) must relinquish all rights to, and interests in, the Distributorship;
- The Company may not divide or reassign any of the Downline Organization; and
- The Company may not split Commissions between the prior or current Beneficial Interest holders of the Distributorship.

Resignation

To resign, Tersano Independent Distributors must submit written notification to Tersano that includes the signatures of those resigning and, in the case of a distributorship, the names of the members of the distributorship who wish to remain active.

Tersano will send the resigning Tersano Independent Distributors an acknowledgment letter indicating the effective termination date (with a copy forwarded to the Tersano Independent Distributors Business Leader of record). In any instance where a Business Leader is resigning, Tersano will make every effort to give advance notice to the upline Business Leader.

Tersano will not allow a partial resignation of a distributorship if any member of the distributorship is in violation of the **R&R**.

For the purpose of resignation and reactivation, a husband and wife team will be treated as one Distributorship, regardless of the fact that only one spouse may have become or may remain a Tersano Independent Distributor.

Re-sponsoring After Resignation

- Resigned Distributors may not responsor under a new sponsor for twelve months after their effective termination date.
- Former Business Leaders who have been retitled for more than one year at the time of resignation may not responsor under a new sponsor for twelve months after their effective termination date.
- Resigned Independent Distributors wishing to reactivate under the same sponsor and Business Leader may do so without a waiting period by submitting a new **Tersano Distributor Agreement** and any other requirements as part of the Contract.

Tersano reserves the right to deny future Tersano Distributorship status to any terminated Tersano Independent Distributors who engage in Tersano activities (including assisting another Tersano Independent Distributor in their Tersano business), or who represent themselves as Tersano Independent Distributors while they are not on record with Tersano as authorized Tersano Independent Distributors.

Business Leaders who have arranged and/or approved transfers of Distributors from their Personal Group to that of another before

resigning or changing their own sponsorship position will not be permitted to re-sponsor into the Personal Group of the same Business Leader into which the former group members were transferred.

Termination for Non-Renewal

Renewal is annual. Renewal must be made by the date specified by Tersano each year to insure continuity of Distributor benefits. If renewal does not occur by the required time, the Distributorship will be terminated.

Tersano Independent Distributors below the rank of Team Leader, who do not renew their Distributorship annually will be treated as if they had resigned and the same waiting periods will apply as if they had resigned.

Termination for Breach of Contract

Termination for breach of contract may result from engaging in activities detrimental to Tersano, including any of the following:

- Violating the terms of the Contract.
- Violating the provisions of the **R&R**.
- Failing to meet the responsibilities of Business Leadership, as described in this **R&R** and other Tersano publications.
- Engaging in conduct that damages the reputation of Tersano or Tersano Independent Distributors, including, but not limited to, conviction of a felony.
- Violating the provisions of official Tersano Inc. publications when doing business in Canada.

Distributorships terminated for breach of contract may not re-sponsor without special review and approval by Tersano.

CHAPTER 7

COMBINED DISTRIBUTORSHIPS

Status of Combined Distributorships –

DBAs, Partnerships, Corporations, and Limited Liability Companies (LLCs)

- Partnerships, corporations, or Limited Liability Companies operating Tersano distributorships must consist exclusively of Active Partners or Active Guarantors residing in the U.S.
- Each Active Partner/Guarantor in a combined distributorship will be held personally responsible for the actions of the distributorship. Regardless of the number of individuals who make up a distributorship, Tersano treats each distributorship, including combined distributorships, as one entity for all purposes.
- The actions of any member of a combined distributorship bind all other members as well as the distributorship entity itself. Tersano holds the distributorship entity responsible for any breaches of the contract provisions governing Tersano distributorships.

Types

Business entities, whether DBAs, partnerships, corporations, or Limited Liability Companies, may sponsor as Tersano Distributors using the appropriate application form (available from Tersano). In addition, Tersano Independent Distributors residing in the U.S. may form general partnerships, Distributor corporations, or Limited Liability Companies. They also may adopt DBA (Doing Business As) names for their businesses. All members of a Tersano (International) SRL combined distributorship must reside in the U.S.

- Tersano recommends that corporations be formed only after distributors consult their attorney and a tax advisor in their state. Applications for acceptance as a corporate distributorship must be submitted on the appropriate form (available on the mytersano.com member center).
- Individual qualified Tersano Independent Distributors must guarantee the performance of corporate distributorships or Limited Liability Companies upon forming a combined distributorship.
- Only spouses, Active Partners, or Active Guarantors of a corporation or Limited Liability Company can be sponsored in the sponsorship position occupied by a combined distributorship. The owners, officers, and directors of an existing business entity that sponsors as a Tersano Distributor must guarantee the performance of the distributorship.

Provisions

- The members are responsible for ensuring that the partnership agreement, articles of incorporation, or Limited Liability Company documentation complies with applicable state laws.
- Other than as stated in this **R&R**, Tersano will not review, approve, or become a party to any distributor agreements.
- Applicants must have a current Federal Employer Identification Number
- (FEIN) from the Internal Revenue Service and provide a copy of the IRS notice to Tersano.
- A fee of \$50, made payable to Tersano (International) SRL, is required to cover administrative costs.
- Proposed members of a combined distributorship who are in different sponsorship lines must first apply for reorganization before a combined distributorship may be requested.
- Tersano reserves the right to reject any proposed combined distributorship name that is not acceptable to Tersano.

Additional Members

Tersano will recognize additional members residing in the U.S. (Active Partners or Active Guarantors) joining the partnership or distributor corporation only in the following limited circumstances:

- When the new member of the distributorship is an adult (18 years or older) and is the son, daughter, or spouse of a current Active Partner or Active Guarantor.
- When the new member of the distributorship has held the rank of Distributor or higher in the same sponsorship line, either immediately above or below the distributorship, for a minimum of six months. Tersano

holds members of a combined distributorship, as well as the combined distributorship entity itself, equally responsible for the actions of the other members of the combined distributorship, regardless of any separate agreements the members may have made.

Special Review

Special review and approval by Tersano are required:

- When two or more Business Leaders wish to combine their businesses to form a partnership, Limited Liability Company, or corporate distributorship.
- When any new member is added to a Senior Business Leadership. Tersano reserves the right to reject or rescind approval of any transactions involving combined distributorships that are designed to circumvent or have the effect of circumventing Tersano Sponsorship Lines or any provisions of the **R&R**.

Dissolution

Requests for dissolution of combined distributorship entities must:

- Be submitted in writing to Tersano on the **Dissolution of Combined Distributorship** form and include the signatures of all departing and remaining members of the distributorship on record with Tersano; and
- Be accompanied by a \$50 fee to cover administrative costs.

If more than one former member of the distributorship is to remain active in Tersano, the request must indicate:

- Which First Level Tersano Independent Distributors each former member will retain.
- Which one of the former members is to retain any Business Leader rank held by the distributorship entity. Only one former member may retain the rank and all of its associated benefits. First Level Tersano Independent Distributors will be moved with Sponsorship Groups intact.

Requests for deleting a member or members from a combined distributorship must:

- Be submitted in writing to Tersano on the **Deletion of Members from a Combined Distributorship** form and include the signatures of all members being deleted; and
- Be accompanied by a \$50 fee to cover administrative costs

If the member being deleted from the combined distributorship is the one who originally applied for the FEIN, then the combined distributorship must be dissolved and reformed with a new FEIN.

Parallel Sponsorship Lines

When a combined distributorship is dissolved, any remaining former spouse, Active Partners, or Active Guarantors (“members”) will be separated into parallel sponsorship lines directly beneath the sponsor of the former husband-and-wife team or distributorship entity.

Former members of the distributorship who want to obtain an exception to the parallel sponsorship rule and reorganize vertically in the Sponsorship Line, one above the other, must first obtain approval in writing from the four (4) upline Business Leaders affected and then apply to Tersano for a waiver of the parallel sponsorship rule.

If the person leaving a combined distributorship is the adult child of a member of the distributorship, the parallel rule will be automatically waived and the adult child will be placed vertically in the Sponsorship Line, directly below the parents’ distributorship. Only the adult child — or children, if a husband-and-wife team — will be moved. They may not take any additional Tersano Independent Distributors with them unless they submit a completed **Reorganization Application**.

Special Review

Tersano reserves the right to review and determine dissolutions of Senior Business Leaders individually as an exception to the provisions of this section when deemed in the best interest of all members and Tersano.

If all former members of a distributorship entity on record with Tersano cannot agree on the dissolution terms, Tersano will require an order from a court or binding arbitration decision that specifies which one retains the rank and how the First Level Tersano Independent Distributors are to be divided.

CHAPTER 8

SURVIVORSHIP

Without a properly drafted trust or will (or contract in those states which permit disposition of assets upon death by contract), a distributorship automatically terminates upon the death of the last individual Tersano Independent Distributor (or, in the case of a combined distributorship, the last surviving partner, or Active Guarantor). Survivorship requires careful planning. Tersano recommends you consult with a local estate-planning attorney.

Survivorship Options

Business Leaders may assure continuing bonus payments and avoid termination of sponsorship rights by choosing one of the following options:

- Adding one or more Active Partners or Active Guarantors to a Distributorship, as explained in combined distributorships;
- Transfer by will or contract (where permitted by state law); or
- Transfer by trust. A Business Leader may transfer a distributorship during his or her lifetime to a revocable inter vivos trust (i.e., a living trust, or during the Business Leader's lifetime) of which the Business Leader is the beneficiary. Upon the Business Leader's death the distributorship may be transferred to a testamentary trust (i.e., at time of death). A testamentary trust may be desirable where the Business Leader's heirs are minors who are disqualified from operating a Tersano distributorship until they reach majority.

Tersano will refer to a will (or contract) and/or a testamentary trust only upon the death of the last surviving member of the distributorship.

Requirements

Transfer of a Business Leader's distributorship by trust or will (or contract) requires compliance with the following:

- The creator of the trust or will (or contract) must be a Business Leader in good standing at the time (or, in the case of a deceased Business Leader, immediately prior to the time) that the distributorship is transferred.
- The beneficiaries of a testamentary trust or will (or contract) must be one or more of the following: a Tersano Independent Distributor in the upline or downline of the distributorship in question who is qualified to purchase the business as provided in the Purchase/Sale chapter, or the spouse, child, grandchild, parent, or sibling of the Business Leader (or deceased Business Leader) whose distributorship is to be transferred. If the beneficiary of a will is a minor, a custodian or a guardian must be appointed until the beneficiary reaches the age of majority. Any adult may be appointed to serve as a custodian or a guardian. The beneficiaries of an *inter vivos* trust must be the Business Leaders whose business is to be transferred.
- The term of the trust, custodianship, or guardianship shall not be perpetual and shall not continue beyond the date necessary to protect the interests of those beneficiaries who are unable to act for themselves legally, such as minor children or incompetent persons who require assistance in the conduct of business affairs.
- The trust instrument or contract must preclude the beneficiaries from
- Assigning any beneficial interest in the trust.
- The trust must conduct only the business of a Tersano distributorship and no other.
- The trustee of the trust may be either an individual or a corporation.
- An heir, beneficiary, trustee, custodian, or guardian must qualify as a Tersano Independent Distributor and operate the distributorship within 60 days of the date of death. Tersano reserves the right to hold all bonuses in reserve during this period.
- At the time of transfer, each individual heir, beneficiary, trust, custodian, or guardian must meet the Tersano INDEPENDENT DISTRIBUTOR eligibility requirements as provided in the "Eligibility" section, and agree to perform all the obligations and responsibilities of a Tersano Business Leader as set forth in the *R&R* and other Tersano publications then existing and as amended from time to time.

- An heir, beneficiary, trustee, custodian, or guardian may not be in more than one sponsorship position at a given time (except under the limited circumstances provided in the next bullet). In the event an heir, beneficiary, trustee, custodian, or guardian is already a Tersano Independent Distributor at the time of the death of the transferor Business Leader, the heir, beneficiary, trustee, custodian, or guardian must inform Tersano in writing within 30 days of their sponsorship position of choice. Any other Sponsorship Group will roll up in its sponsorship line. In the absence of such communication, Tersano will determine the appropriate sponsorship position.
- In the event of the death of the last member of a distributorship with surviving children who are minors, Tersano will permit the guardian(s) to be Business Leader(s) in another sponsorship position under the following limited conditions:
 - There is a prior written agreement between the distributorship and the guardian that provides for the continuation of the Tersano business and the disposition of bonuses during the minority of the children.
 - The guardianship must begin before a minor child or children turn(s) eighteen (18) years of age, and may not continue past the time one child reaches the age of twenty-five (25) years.
 - The two distributorships must be operated separately and the guardian may not commingle them in any way.
- A Business Leader may not transfer by trust or will (or contract) less than the Business Leader's entire interest in the Tersano distributorship. If more than one beneficiary or heir is named, all must receive an equal ownership interest in the Tersano distributorship.
- Tersano reserves the right to determine after transfer the continuing eligibility of a trust, heir, or beneficiary for rank and convention privileges previously granted the distributorship.

Registration of Trusts and Wills

In the case of a trust:

- Before a Tersano Distributorship is transferred to a trust, the trustee must sign and file an ***Application for Tersano Distributor Authorization (Trust)***.
- A copy of the trust instrument must accompany the application, and the trustee must file with Tersano any amendment or other document that varies the terms of the trust within 30 days of the change.
- When the grantor (creator of the trust) dies, a copy of the death certificate must be filed with Tersano. Tersano will also accept a copy of the obituary from a newspaper of general circulation or a letter from a family member notifying us of the date of death.
- A \$50 administrative fee must accompany an Application.

In the case of a will (or contract where permitted by state law):

- The testator may either attach a certified copy of the will (or contract) to the ***Application to Register a Will***, or the beneficiaries may provide a copy at the time of death. If a will is provided with the application, the testator (or contracting party) must promptly file with Tersano any amendment or other document which varies the terms of the will (or contract).

Failure to Plan for Survivorship

In the absence of a trust or will (or contract) filed with Tersano, the distributorship will terminate upon the death of the last member of the distributorship, and the members of the Business Leader's Sponsorship Group will roll up in the sponsorship line.

However, the personal representative of a Business Leader who has not complied with the terms of this chapter shall have 90 days from the date of death to sell the distributorship to a Tersano Independent Distributor as specified in the Purchase/Sale section.

In the event of a conflict between the listing of any members of a distributorship with Tersano and a trust or will (or contract), and in the absence of an order of a court having jurisdiction of the matter, Tersano reserves the right to resolve the conflict. Tersano's decision shall be final and binding.

CHAPTER 9

MISCELLANEOUS

The Contract contains the entire understanding concerning the subject matter hereof between the Company and the Distributor, and is intended as a final, complete, and exclusive expression of the terms of the parties. This Contract supersedes and replaces all prior negotiations and proposed, but unexecuted agreements, either written or oral. Any prior agreements, promises, negotiations, or representations, either written or oral, relating to the subject matter of this Contract, are of no force or effect. If there is any discrepancy between verbal representations made to the Distributor by any employee or agent of the Company and the terms of the Contract, the express written terms and requirements of the Contract will prevail.

The section and subsection headings in the Contract are inserted solely as a matter of convenience and for reference, and will not be considered in the construction or interpretation of any provision hereof. Unless the context otherwise specifically requires, all references to sections of the Contract will refer to all subsections thereof.

The Company reserves the right to make any modifications to the Contract, provided that the modifications are communicated by the Company to the Distributor at least thirty (30) days prior to taking effect. The Company may communicate these modifications by posting any portion of the modified Contract on the Company's website at www.mytersano.com, or by any other method of communication. The Distributor is deemed to have accepted the modification to the Contract if the Distributor engages in any Distributor Business, renews its Distributorship, or accepts Commissions after the thirty (30) day period is ended.

Ambiguities, if any, in the Contract shall not be construed against any party, regardless of which party may be deemed to have authored the ambiguous provision.

The Company extends no product warranties, either expressed or implied, beyond those specifically articulated in the Contract. The Company disclaims and excludes all warranties regarding possible infringement of any United States or foreign patent, trademark, trade name, copyright, or trade secret arising from the Distributor's operations. THE COMPANY HEREBY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY AND NON-INFRINGEMENT. THIS DISCLAIMER OF WARRANTY CONSTITUTES AN ESSENTIAL PART OF THIS AGREEMENT.

Any waiver by the Company of a Distributor's breach of a Contract provision must be in writing and will not be construed as a waiver of any subsequent or additional breach by the Distributor. The failure by the Company to exercise any right or privilege under the Contract will not constitute a waiver of that right or privilege.

If any term or condition of this Contract is judicially invalidated, prohibited, or otherwise rendered unenforceable in any jurisdiction, it is unenforceable only to the extent of the invalid, prohibited or unenforceable provision in that jurisdiction only, and it will not render unenforceable or invalidate any other provision of the Contract, nor will the Contract be rendered unenforceable or invalidated in another jurisdiction. Furthermore, any provision found unenforceable may be partly enforced to the maximum extent enforceable under the law.

Distributor acknowledges that the Company is not liable for any damages or losses caused by the delay or inability to manufacture, sell, or deliver its products due to labor strikes, accidents, fire, flood, acts of civil authority, acts of God, acts of terrorists, or from any other causes that are beyond the control of the Company.

The Province of Ontario is the place of the origin of this Contract and is where the Company accepted the offer of the Applicant to become a Distributor and where the Distributor entered into the Contract with the Company. The Contract is therefore to be construed in accordance with the laws of the Province of Ontario (without giving effect to any conflict of law provision or rule) as to contracts made and to be wholly performed within the Province. Any controversy or claim arising out of or relating to the Contract or the breach thereof, or any controversy or claim relating to the business relationships arising between Distributors shall be resolved by mandatory, final, binding, non-appealable arbitration in Windsor, Ontario, Canada. There shall be one arbitrator, who shall be impartial, independent, and mutually agreed upon by the parties to the arbitration within seven (7) days following receipt of the written notice for demand for arbitration. Judgment on the award rendered by

the arbitrator may be entered in any court having jurisdiction thereof and enforcement of the judgment shall be governed by Ontario provincial law. The parties shall equally share the assessed costs associated with the arbitration, including all arbitrator fees. If one party fails to pay its assessed costs, and such failure prevents the timely appointment of an arbitrator or delays ongoing arbitration proceedings, the other party may seek provisional remedies. The failure to pay assessed costs under this Section, and any resulting costs, expenses, or damages resulting from the other party being required to seek provisional relief, shall become an additional claim of the injured party in the underlying arbitration. The parties and the arbitrator shall maintain the confidentiality of the entire arbitration process and may not disclose to any other person not directly involved in the arbitration process: (i) the substance of, or basis for, the controversy, dispute, or claim; (ii) the content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery in the arbitration; or (iii) the terms or amount of any arbitration award. The arbitrator shall have the authority to make appropriate rulings to safeguard confidentiality, unless the law provides to the contrary. The parties agree that before or after a demand for arbitration is made that a party (in addition to any other remedies which it may have and which are hereby exclusively reserved) is entitled to preserve its rights under the Contract by seeking interim injunctive relief (a temporary restraining order, preliminary injunction and all other forms of interim relief available to the party filing the action) without a bond. The parties agree that such suit filed with the court: (a) is not a waiver of the rights of the party who filed the suit to proceed with any demand for arbitration it previously filed, and (b) will not in any way affect the rights of the party filing the suit to thereafter demand arbitration once the interim relief is obtained. The parties expressly waive any objections to personal jurisdiction or venue of such courts and to the arbitration being conducted in Windsor, Ontario, Canada.

If any suit, action, or proceeding is brought to enforce any term or provision of this Contract, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs, and expenses incurred, in addition to any other relief to which such party may be legally entitled.

The Contract will be legal and binding upon and inure to the benefit of the heirs, devisees, executors, administrators, personal representatives, successors, and assigns (as applicable) of the respective parties hereto.

To the extent permitted by law, the Company, its directors, officers, members, managers, shareholders, employees, assigns and agents (collectively referred to as "Responsible Parties") shall not be liable for, and the Distributor releases Company and its Responsible Parties from and waive all claims, for any loss of profits, indirect, direct, special or consequential damages, and for any other losses incurred or suffered by Distributors as a result of: (i) Distributor's breach of the Contract, (ii) the promotion or operation of the Distributorship and the Distributorship Business; (iii) Distributor's incorrect or wrong data or information provided to the Company or its Responsible Parties; or (iv) the Distributor's failure to provide any information or data necessary for the Company to operate its business. EACH DISTRIBUTOR AGREES THAT THE ENTIRE LIABILITY OF THE COMPANY AND ITS RESPONSIBLE PARTIES FOR ANY CLAIM WHATSOEVER RELATED TO THE CONTRACT, BUT NOT LIMITED TO, ANY CAUSE OF ACTION SOUNDING IN CONTRACT, TORT, OR EQUITY, SHALL NOT EXCEED, AND SHALL BE LIMITED TO, THE AMOUNT OF PRODUCTS THE DISTRIBUTOR HAS PURCHASED FROM THE COMPANY THAT ARE IN RESALABLE CONDITION.