



STATEMENT OF POLICIES AND PROCEDURES

1. Color Street, hereinafter "Company," is a direct selling Company marketing nail polish enhancement products and other beauty and consumer products to the consumer through Independent Stylists. The policies and procedures herein are applicable to all Independent Stylists (hereinafter "ISs") of the Company.
2. An IS is one who has completed a Company application and agreement and has been accepted by the Company as an IS. The Company reserves the right to accept or reject anyone as an IS.
3. All ISs must be the age of majority in the state in which they distribute Company products and services.
4. Unless waived in writing by the Company upon application, the Company will accept only one IS account per taxpayer identification number, i.e., social security number, EIN, etc., whether it be sole proprietor, partnership, corporate entity. It is understood that a spouse or domestic partner may assist, but only one EIN will be recognized as the owner of the account. In addition, as to a married couple or domestic partnership or family household, except as provided below, only one IS is permitted per household.
5. ISs are independent marketing representatives of the Company and are not to be considered purchasers of a franchise or a distributorship. The agreement between the Company and its ISs does not create an employer\employee relationship, agency, partnership, or joint venture between the Company and the ISs. Each IS shall hold harmless the Company from any claims, damages or liabilities arising out of IS's business practices. Company ISs have no authority to bind the Company to any obligation. Each IS is encouraged to set up his\her own hours and to determine his\her own methods of sale, so long as he\she complies with the policies and procedures of the Company.
6. Transaction Submission Integrity. It is essential to the success of the Company, its ISs and customers that submissions of transactions to the Company maintain integrity of communication. It is to be expected that all transactions submissions to the Company, including, but not limited to, IS applications, IS communication, IS financial transactions and consumer transactions, be submitted by the individual or entity involved in the transaction. Third party submission of any and all transactions submissions is prohibited. An IS may not communicate any transactions submissions on behalf of another IS, IS applicant or customer. An IS may not use his or her



credit card or bank account on behalf of another individual or IS. This rule is applicable to any and all forms of transactions submissions, including, but not limited to, online, telephone, fax, email, etc.

7. Ethical Conduct. ISs will, at all times, conduct their business in a professional and ethical manner that is supportive to both the Company and other ISs. An IS shall engage in no conduct which negatively impacts, disrupts or impairs the reputation or business of the Company, its products/services or other ISs, including, but not limited to: disparagement of the Company, its officers or employees, its products/services or other ISs; manipulation of the compensation plan or unauthorized manipulation of the placement program or genealogy structures; undermines or is at odds with the training systems utilized by and authorized by the Company; conduct which is abusive, disrespectful, bullying or intimidating of other ISs, customers, employees, or affiliates of the Company; conduct that undermines the relationship between the Company and ISs or relationships between ISs; conduct which disrespects the privacy of other ISs; conduct which is false, fraudulent, dishonest or deceptive in any way; or any other conduct which the Company deems disreputable or, in any way, negatively impacts the Company or other ISs.
8. The company's program is built upon retail sales to the ultimate consumer. The company also recognizes that ISs may wish to purchase product or service in reasonable amounts for their own personal or family use. For this reason, a retail sale for bonus purposes shall include sales to non-participants, as well as sales to ISs for personal or family use which are not made for purposes of qualification or advancement. It is company policy, however, to strictly prohibit the purchase of product or large quantities of inventory in unreasonable amounts solely for the purpose of qualifying for bonuses or advancement in the marketing program. ISs may not inventory load nor encourage others in the program to load up on inventory. ISs must fulfill published personal and downline retail sales requirements, including requisite retail sales to nonparticipants, as well as supervisory responsibilities, to qualify for bonuses, overrides or advancements.
9. Any IS, who sponsors other ISs, must fulfill the obligation of performing a bona fide supervisory, distributing and selling function in the sale or delivery of product to the ultimate consumer and in the training of those sponsored. ISs must have ongoing contact, communication and management supervision with his or her sales organization. Examples of such supervision may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, training sessions, and accompanying individuals to Company training, sharing genealogy information with those sponsored. ISs should be able to provide evidence to the Company semiannually of ongoing fulfillment of sponsor responsibilities. If an IS is an Enroller in the marketing program entitled to Enroller bonuses, then the Enroller is obligated to the same responsibilities of supervisory, communication and training activities



with respect to ISs he or she has enrolled, irrespective of whether the Enroller is also the Sponsor of those ISs.

10. Company Retail/70 Percent Policy. The Company sales and marketing program is based upon retail sales to the ultimate consumer. Every aspect of the program is designed to assist our ISs in the marketing of fine products and services to the general consuming public. As a dual consumer safeguard, of the utmost importance to the Company is the policy that ISs should purchase products and services in commercially reasonable quantities, and under no circumstances may ISs cause others to purchase products or services in amounts that are not reasonably expected to be sold to the consuming public or in unreasonable amounts for personal or family use. In furtherance of these policies, the Company has adopted specific rules on retail sales and retailing referenced as the Company retail/70 percent rules. In the interest of protecting the consumer and the opportunity of its ICs, the Company enforces this rule through a verification program.

Company Retail/70 Percent Rule.

a) Retail Rule.

Although the primary function of the Company is to sell products and services to the general consuming public, the Company realizes that its ISs may wish to purchase product for personal or family use in reasonable amounts. For this reason, the Company defines a retail sale to include sales to nonparticipants, as well as purchases for personal or family use in reasonable amounts, which are not made solely for purposes of qualification or advancement. This is a standard followed by leading direct selling companies. Notwithstanding this policy, the Company, in order to specifically further retail selling, has adopted a requirement that an IS will not be eligible for bonuses or overrides unless he or she has made 5 requisite sales per month to nonparticipant retail customers.

Required Retail Sales:

To qualify for leadership bonuses and awards, an Independent Stylist (IS) must achieve requisite personal volume to meet active status, and stated nonparticipant retail sales volume mandates. If active status is fulfilled, in order to be eligible for leadership bonuses and awards, the IC must also generate or maintain five (5) individual nonparticipant retail customers, or the ongoing preferred customers.

Ramp-up Grace Period:

To be eligible for sales force downline commissions, an IS, in addition to achieving stated personal and group volume requirements, shall demonstrate a retail customer count of five (5) customers in any one month. With the understanding



that ISs will need time to build their book of business of active retail customers, ISs shall be allowed to ramp up their book of business to the minimum five (5) monthly retail customers over the first six (6) months in the business at the rate of one (1) additional active retail customer per month. Thus, in the sixth month of the business, and thereafter, an IC must demonstrate a minimum of five (5) retail customers per month in order to be eligible to receive downline sales bonuses and commissions. If, after achieving five (5) retail customers, one of those customers shall discontinue, the IC shall replace that retail customer with a new retail customer, so as to maintain five (5) retail customers per month.

b) 70 Percent Rule.

As with other leading direct selling companies, the Company has adopted a 70 percent rule. Under this rule, Company ISs may not order additional product unless they have sold or used for personal or family use at least 70 percent of previously purchased inventory-type product. This verification form is also intended to support the 70 percent rule policy.

Retail Sales/70 Percent Rule Audit Verification Program.

In its effort to support and enforce the retail sales/70 percent rule, the Company on a quarterly basis will conduct random audit verification follow-ups. The Company's Compliance Department will contact ISs to further verify compliance with the retail sale/70 percent rule. ISs should maintain records and be prepared to assist the Company Compliance Department in its task.

11. Sales Volume Qualification by Order Taking. As with other leading direct selling companies, the Company has adopted minimum personal and group sales volume requirements. With respect to tangible products, which may be offered for purchase for resale, minimum sales volume requirements may also be fulfilled by taking orders from retail customers which will be fulfilled or drop-shipped by the Company directly to the retail customer.
12. All ISs are responsible for paying local, state and federal taxes due on earnings from commissions or any other earnings generated as a seller of Company products and services. The Company will collect sales tax on behalf of the IS, then report and distribute applicable sales taxes to the taxing entity for the state in which the sale is made.
13. Company ISs shall not advertise Company products and services and/or marketing plans except as specifically approved by the Company. Company ISs agree to make no false or fraudulent representations about the Company, the products, the Company compensation plan, or income potentials.



14. No purchase or investment is necessary to become a Company IS other than the purchase of, or payment fee for, a sales kit which is sold "at Company cost." (Purchase is optional in North Dakota). This "at cost" sales kit fee covers basic and ongoing sales and marketing materials and support in both written and electronic and online media formats, including product and service updates.

As an extension to the initial "at cost" sales kit, a modest monthly fee may be charged for expanded "at cost" ongoing sales and marketing materials support, including back office accounting review, training updates, replicated website and communication tools to support the sales and marketing process.

15. Trademark, Copyright, Trade Names, Advertising.

- a) The name of the Company and other names as may be adopted by the Company are proprietary trade names and trademarks of the Company. As such, these marks are of great value to the Company and are supplied to IS for IS's use only in an expressly authorized manner. IS agrees not to advertise the Company products or services in any way other than the advertising or promotional materials made available to IS by the Company. IS agrees not to use any written, printed, recorded or any other material in advertising, promoting or describing the products or services or the Company marketing program, or in any other manner, any material which has not been copyrighted and supplied by the Company, unless such material has been submitted to the Company and approved in writing by the Company before being disseminated, published or displayed.
- b) The IS, as an independent contractor, is fully responsible for all of his\her verbal and written statements made regarding the product or service and marketing program which are not expressly contained in writing in the current IS agreement, and advertising or promotional materials supplied directly by the Company. IS agrees to indemnify the Company and hold it harmless from any and all liability including judgments, civil penalties, refund, attorney fees, court costs or lost business incurred by the Company as a result of IS's unauthorized representations.
- c) The Company will not permit the use of its copyrights, designs, logos, trade names, trademarks, etc. without its prior written permission.
- d) All Company marketing materials or published intellectual property, whether printed, on video, film, produced by sound recording, or on the internet, are copyrighted and may not be reproduced in whole or in part by ISs or any other person except as authorized by the Company. Permission to reproduce any materials will be considered only in extreme circumstances. Therefore, an IS should not anticipate that approval will be granted.



- e) Except if pre-approved by the Company, IS may not produce, use or distribute any information relative to the contents, characteristics or properties of Company product or service which has not been provided directly by the Company. This prohibition includes but is not limited to print, audio or video media.
- f) An IS may not produce, sell or distribute literature, films or sound recordings which are deceptively similar in nature to those produced, published and provided by the Company for its ISs. Nor may an IS purchase, sell or distribute non-company materials which imply or suggest that said materials originate from the Company.
- g) Any display ads or institutional or trademark advertising copy, other than covered in the foregoing rules, must be submitted to the Company and approved in writing by the Company prior to publication.
- h) All advertising copy, direct mailing, radio, TV, newspaper and display copy must be approved in writing before being disseminated, published or displayed with the exception of blind ads where no reference is made to the Company name or product name.
- i) Newspaper and Online Advertisements. Some companies use classified advertising in the newspapers or online to find prospects. Color Street does not allow these kinds of classified advertising.
- j) No claims as to therapeutic or curative properties about the products may be made except those officially approved in writing by the Company or as contained in the official Company literature. In particular, no IC may make any claim that the Company products are useful in the treatment or cure of any disease. Such statements can be perceived as medical claims. Not only is this totally against Company policy, but it is also against the laws governed by the United States Food and Drug Administration.

16. Recording Policy.

- a) Attendance at Company Events; use authorized in Company media. Company events may be recorded by Company. Images, video and audio of people attending or participating in a Company related event may be used in Company published media in business support materials, and for promotions. By registering and attending a Company related event, you agree to allow Company to use your image, video, audio and personal information in these recordings.
- b) You may upload, submit, live stream or publish any Color Street related video, audio or



photo content that you develop and create as long as it's in compliance with our standards. You may not upload, submit, live stream or publish as your own any content received from Color Street or substantive content (including but not limited to, trade secrets, event presentations, product concepts, etc.) captured at official Color Street events or in buildings owned and operated by Incoco/Color Street without prior written permission from Color Street.

17. Internet and Website Policy.

The Company maintains an official corporate website. ISs are allowed to advertise on the internet through an approved Company program which allows ISs to choose from among Company home page designs that can be personalized with the IS's message and the IS's contact information. These websites link directly to the Company website giving the IS a professional and Company-approved presence on the internet. Only these approved websites may be used by ISs. No IS may independently design a website that uses the names, logos, product or service descriptions of the Company, nor may an IS use "blind" ads on the internet making product or income claims which are ultimately associated with Company products, services or the Company's compensation plan. Any person using Company names, logos, trademarks, etc. on the internet or any other advertising medium, except as permitted by Company Rules and Regulations, shall be subject to immediate discipline, including termination of IS status.

Blogs: A blog developed for the primary purpose of marketing or promoting Color Street products or the vision of Color Street is considered an external website and must follow strict standards. Personal blogs that are developed and maintained primarily for other purposes that also mention Color Street and/or direct traffic to your Personal Website do not need to be authorized.

18. Prohibition of Sales on Unauthorized Internet Sites. Except with written authorization from the Company, an IS may not sell nor promote Company products on unauthorized internet sites, including, but not limited to auction sites such as eBay, nor internet shopping sites such as Amazon or Craig's List, nor internet malls.

19. Unsolicited Email. The Company does not permit ISs to send unsolicited commercial email to others unless such emails strictly comply with applicable laws and regulations including, without limitation, the federal CAN SPAM Act.

Any email sent by an IS that promotes the Company, the Company opportunity or Company products and services must comply with the following:



- a) There must be a functioning return email address to the sender.
- b) There must be a notice in the email that advises the recipient that he or she may reply to the email, via the functioning return email address, to request that future email solicitations or correspondence not be sent to him or her (a functioning "opt-out" notice).
- c) The email must clearly and conspicuously disclose that the message is an advertisement or solicitation.
- d) The use of deceptive subject lines and/or false header information is prohibited.
- e) All opt-out requests, whether received by email or regular mail, must be honored. If an IS receives an opt-out request from a recipient of an email, the IS must forward the opt-out request to the Company.

20. Unsolicited Faxes and Spam. Except as provided in this section, ISs may not use or transmit unsolicited faxes, mass email distribution, unsolicited email, or "spamming" or use an automatic telephone dialing system relative to the operation of their Company businesses. Unsolicited broadcast distribution of email or other distribution that may be defined as "bulk mail" or "SPAM" is strictly prohibited. ISs may send "general mailings" only to other ISs in their downline organizations and their direct up-line sponsors. Any other bulk use of email is prohibited.

The term "automatic telephone dialing system" means equipment, which has the capacity to:

- a) Store or produce telephone numbers to be called, using a random or sequential number generator; and
- b) To dial such numbers.

The terms "unsolicited faxes" and "unsolicited email" mean the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting the Company, its products, its compensation plan or any other aspect of the Company which is transmitted to any person, except that these terms do not include a fax or email:

- a) To any person with that person's prior express invitation or permission; or
- b) To any person with whom the IS has an established business or personal relationship. The term "established business or personal relationship" means a prior or existing relationship formed by a voluntary two-way communication between an IS and a person, on the basis of:

- (1) An inquiry, application, purchase or transaction by the person regarding products offered by such IS; or



(2) A personal or familial relationship, which relationship has not been previously terminated by either party.

21. Retail Establishments. Company products or services may not be sold in retail establishments. You may promote the Color Street vision with a promotional display. You may NOT offer Color Street products for sale in any retail location. If you have ANY questions regarding what is considered a retail location please email the Company.
22. Trade Shows. With written authorization from the Company, Company products or services and opportunity may be displayed at trade shows by ISs. Request for participation in trade shows must be received in writing by the Company at least two weeks prior to the show. Written authorization from the Company must be received before participating in the trade show. Unless written authorization is secured from the Company, Company products or services and opportunity are the only products or services and/or opportunity that may be offered in the trade show booth. Only Company produced marketing materials may be displayed or distributed. No IS may sell or promote the Company's products or services or business opportunity at flea markets, swap meets, or garage sales.
23. International Sales. No IS may export or sell directly or indirectly to others who export the Company's products, literature, sales aids or promotional material relating to the Company, its products or services or the Company's program from the United States or its possessions or territories to any other country. Any violation of this rule constitutes a material breach of this contract and is grounds for immediate termination of the IS.
24. The Company reserves the right to approve or disapprove IS's change of business names, formation of partnerships, corporations, and trusts for tax, estate planning, and limited liability purposes. If the Company approves such a change by IS, the organization's name and the names of the principals of the organization must appear on the IS application/agreement along with a social security number or federal identification number. It is prohibited to make changes to attempt to circumvent or violate Company rules on raiding, solicitation, targeting, cross-sponsoring or interference.
25. The IS agreement may be canceled at any time and for any reason by an IS notifying the Company in writing of the election to cancel.
26. If an IS elects not to renew his/her IS agreement, all rights to bonuses, marketing position and wholesale purchases cease. The terminated IS's sales organization shall be subject to placement in accordance with the then current published compensation plan presentation.



27. If the terminated IS has purchased products for inventory purposes or mandatory sales aids while the IS agreement was in effect, all products in a resalable condition then in possession of the IS, which have been purchased within 12 months of cancellation, shall be repurchased. The repurchase shall be at a price of not less than ninety percent (90%) of the original net cost to the participant returning such goods, taking into account any sales made by or through such participant prior to notification to the Company of the election to cancel. **Buyback is 12 months in Massachusetts, Maryland, Montana, Georgia, Louisiana, Wyoming, Texas, Oklahoma, Idaho, Utah, Washington and Puerto Rico.** In addition, the Company will honor statutory mandated buyback requirements of every jurisdiction. A Montana resident may cancel his or her Agreement within 15 days from the date of enrollment, and may return his or her starter kit for a full refund within such time period.
28. The Company shall be entitled to repayment of any commission previously paid on a sale of product/service if the product/service purchase is cancelled or reversed or a refund paid for a terminated purchase. The Company shall recover the commission by adjustment on the next month's IS payment. In the event that no commission is available for adjustment in the following month, the IS who has received the commission shall repay the commission paid on the "reversed sale" within 30 days of the Company's notice to repay.
29. The Company shall be entitled to change product or service prices at any time and without notice, and to make changes in the statement of policy and procedures.
30. Each IS shall comply with all state and local taxes and regulations governing the sale of Company products or services.
31. Notwithstanding the Company's longer retail customer guarantee policy, all retail sales must comply with the FTC Three-Day Cooling Off Rule which requires statutory language and notice of cancellation on the retail sales receipt. The three-day right of cancellation must be orally explained to the customer and the customer must receive two copies of the notice of cancellation form.
32. Prohibition on Raiding and Cross-Solicitation of Products or Other MLM and/or Business Opportunities. The Company takes seriously its responsibility to protect the livelihood of its sales force and to the hard work invested to build a sales organization. Raiding and solicitation actions in which ISs seek to raid and solicit other ISs in the sales organization to non-company products and services and to other MLM/business opportunities, severely undermines the marketing program of the Company, interferes with the relationship between the Company and its sales force and destroys the livelihood of other ISs who have worked hard to build their own business, the business of their sales force and benefits they have earned by helping to build a sales organization. Therefore, ISs shall not directly or indirectly sell to, nor solicit from, other Company



ISs non-company products or services, or in any way promote to other Company ISs business opportunities in marketing programs of other MLM or business opportunity companies at any time. A Company IS shall not engage in any recruiting or promotion activity that targets Company ISs for opportunities or products of other direct selling companies or business opportunities, either directly or indirectly, by themselves or in conjunction with others, nor shall an IS participate, directly or indirectly, in interference, raiding or solicitation activity of Company IS for other direct selling companies or business opportunities. Unless approved in writing by the Company, this prohibition includes sales or solicitation of non-company products or services at meetings organized for Company sales, promotion, training recruitment, demonstration, etc. This prohibition on targeting, interference, soliciting and raiding shall be in effect during the term of the IS agreement and for a period of one year after the termination of the IS agreement. For the term of this agreement and for one years after termination hereof, an IS shall not, directly or indirectly, recruit any of Company's ISs to join other direct sales or network marketing companies nor solicit, directly or indirectly, Company's ISs to purchase services or products, or in any other way interfere with the contractual relationships between Company and its ISs.

33. **Exclusivity for Qualified Enhanced Rank Compensation.** During the term of this Agreement, in consideration of qualification for enhanced rank compensation in the Color Street compensation plan available to the rank of Executive Director level IS and above, a Color Street IS with a rank of Executive Director and above, shall not participate as an independent distributor or corporate in the business opportunity of any direct selling, network marketing, or multilevel marketing company other than Color Street. An IS who joins another direct selling company **for the sole purpose as a wholesale buyer or to purchase at discount**, is exempted so long as the IS does not engage in selling, recruiting, building an organization or "working the business" in the third party direct selling company. An IS, who is in violation of this prohibition, shall be subject to termination.
34. On a periodic basis, the Company will supply data processing information and reports to the IS, which will provide information concerning the IS's downline sales organization, product purchases and product mix. The IS agrees that such information is proprietary and confidential to the Company and is transmitted to the IS in confidence. The IS agrees that he or she will not disclose such information to any third party directly or indirectly, nor use the information to compete with the Company directly or indirectly during or after the term of the agreement. The IS and the Company agree that, but for this agreement of confidentiality and nondisclosure, the Company would not provide the above confidential information to the IS.
35. **Vendor Confidentiality.** The Company's business relationship with its vendors, manufacturers



and suppliers is confidential. An IS shall not contact, directly or indirectly, or speak to or communicate with any representative of any supplier or manufacturer of the Company except at a Company sponsored event at which the representative is present at the request of the Company. Violation of this regulation may result in termination and possible claims for damages if the vendor/manufacturer's association is compromised by the IS contact.

36. An IS shall take appropriate steps to safeguard the protection of all private information provided by a consumer, a prospective consumer and/or other ISs.
37. Change in Status to an individual IS.
Marriage/Statutory Domestic Partnership: Two Company ISs who marry or enter into a statutory domestic partnership, after having established their own individual IS positions, may continue to operate their existing IS positions.
- Death:** Upon the death of a solo proprietor IS, the rights and responsibilities of the IS position may not be passed on, as the relationship between Color Street and the IS is strictly personal to the IS with the registered EIN number.
- Disability:** Should an individual IS become disabled to the extent that the IS can no longer fulfill the required duties of the Company, the IS position shall terminate.
38. Sale or Transfer. An IS may not sell his or her IS position. An IS may not assign or otherwise transfer his or her IS position, marketing position or other IS rights without written application and approval by the Company. This paragraph is also applicable to transfer of any interest in an entity that owns an IS position, including but not limited to corporation, partnership, trust or other non-individual entity.
39. This statement of policies and procedures is incorporated into the IS agreement and constitutes the entire agreement of the parties regarding their business relationship.
40. The Company expressly reserves the right to alter or amend prices, Rules and Regulations, Policies and Procedures, product availability and compensation plan. Upon notification, in writing, such amendments are automatically incorporated as part of the agreement between the Company and the IS. Company communication of changes may include, but shall not be limited to mail, email, fax, posting on the Company website, publication in company newsletters or magazines, etc.
41. Non-Individual Ownership. A partnership or corporation may be an IS. However, no individual



may participate in more than one (1) IS position in any form without express written permission from the Company. Only in the most extreme and extraordinary circumstances will this be considered.

- a) An IS position may change status under the same sponsor from individual to partnership or corporation or from partnership to corporation with proper and complete documentation.
- b) To form a new IS position as a partnership or corporation or to change status to one of these forms of business, you must request a partnership/corporation form from the corporate home office. This form must be submitted detailing all partners, stockholders, officers or directors in the partnership or corporation. The partner or officer who submits the form must be authorized to enter into binding contracts on behalf of the partnership or corporation. In addition, by submitting the partnership/corporation form, you certify that no person with an interest in the business has had an interest in an IS position within three (3) months of the submission of the form (unless it is the continuation of an existing IS position that is changing its form of doing business).

42. Individual and Entity Ownership Information.

- a. An individual can have only one IS position in the Company. He/she may not have more than one IS account, either individually or jointly, nor may he/she participate as a partner, owner, stockholder, trustee, director, or association member in more than one IS position in any form.
- b. An individual shall provide the Company with a Social Security Number or a Taxpayer Identification Number (TIN) on an IDS W-9 form. No individual operating under a fictitious name and no partnership, corporation or other business entity may become a Company IS without submitting an "Entity Information" form following enrollment of proprietorship, corporation, Limited Liability Corporation (LLC), trust or partnership.
 - i. **Proprietorship:** A copy of fictitious name filing must be submitted, plus a W-9 form.
 - ii. **Corporation:** Copies of articles of incorporation are required, including the page with state seals and notarization. These articles will show who the principals are and prove validation of Federal IC Number/Business Number/E.I.N, plus a W-9 form.
 - iii. **LLC:** IDS acceptance only. The name on the IDS acceptance is required to state the LLC in order to use it as an LLC, plus a W-9 form.
 - iv. **Trust:** An affidavit of trust with the notarized copy of the power of attorney is necessary. If Federal IC Number is to be used and is not noted in the affidavit, an IDS acceptance will be required, plus a W-9 form.
 - v. **Partnership:** To register as a partner, complete the partnership portion of the Entity Information form, along with all signatures that apply, plus a W-9 form.



43. Entity Guarantee for Owners: Although Company has offered ISs the opportunity to conduct their IS position as corporate, LLC, trust or partnership entities, it is agreed that since the IS position entity is under the control of its owners or principals, the actions of individual owners or beneficiaries as they may affect Company and the IS position are also critical to Company's business. Therefore, it is agreed that actions of the ownership entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related or interested parties and the actions of such parties, which are in contravention to Company's policies shall be attributable to the corporate, LLC, trust or partnership entity.

In the event that any of the ownership entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related parties shall terminate ownership interests in the IS position, any breaching actions by such parties that continue to have a beneficial financial interest, directly or indirectly, in the IS position shall be attributable to the IS position.

44. Members of Same Household; Responsibility. Members of IS's household may operate together as one Company IS position, but may not become separate Company ISs. Household is defined as husband, wife, and dependents. Note: Children of legal age to contract and at least 18 years of age are not considered a part of their parents' household.

Company recognizes that members of the same household may belong to competing direct selling opportunities. Although the actions of the parties are normally in good faith, in some circumstances, there is an abuse of relationships in which the non-company household member is engaged in recruitment, solicitation or raiding of the Company sales organization. Since the household member that has an ownership interest in the Company IS position is in the best position to be responsible to prevent raiding or cross-sponsoring activity by their co-household member, the cross-recruiting activity of the non-company household member shall be attributed to the Company IS position, subjecting the IS position to discipline or termination.

45. It is agreed that Company is authorized to use IS's name, photograph, personal story and/or likeness in advertising or promotional materials and IS waives all claims for remuneration for such use.
46. Disciplinary Actions. An IS's violation of any policies and procedures, the agreement, terms and conditions or any illegal, fraudulent, deceptive, or unethical business conduct may result, at the Company's discretion, in one or more of the following disciplinary actions:
- a. Issuance of a written warning or admonition.
 - b. Imposition of a fine, which may be imposed immediately or withheld from future commission checks.



- c. Reassignment of all or part of an IS's organization.
 - d. Suspension, which may result in termination or reinstatement with conditions or restrictions.
 - e. Termination of the IS.
47. The Company reserves the right to terminate any IS at any time for cause when it is determined that the IS has violated the provisions of the IS agreement, including the provisions of these policies and procedures as they may be amended or the provisions of applicable laws and standards of fair dealing. Such involuntary termination shall be made by the Company at its discretion. Upon an involuntary termination, the Company shall notify the IS by mail at the latest address listed with the Company for the IS. In the event of a termination, the terminated IS agrees to immediately cease representing him/herself as an IS.
48. Termination.
- a. When a decision is made to terminate an IS, the Company will inform the IS in writing that the IS is terminated immediately, effective as of the date of the written notification. The termination notice will be sent by certified mail to the IS's address on file with the Company.
 - b. The IS will have 15 days from the date of mailing of the certified letter in which to appeal the termination in writing, and provide written response to the finding of violations of Company agreement, policies and/or rules. The IS's appeal and/or response correspondence must be received by the Company within 20 days of the Company's termination letter. If the appeal is not received within the 20-day period, the termination will be automatically deemed final.
 - c. If an IS files a timely appeal of termination, the Company will review and reconsider the termination, consider any other appropriate action, and notify the IS of its decision. The decision of the Company will be final and subject to no further review. In the event the termination is not rescinded, the termination will be effective as of the date of the Company's original termination notice.
49. All ISs have the right to enroll and sponsor others. In addition, every person has the ultimate right to choose his/her own enroller. If two ISs should claim to be the enrollers of the same new IS, the Company shall regard the first application received by the corporate home office as controlling.
- a. As a general rule, it is good practice to regard the first IS to meaningfully work with a prospective IS as having first claim to enrollership, but this is not necessarily controlling. Basic tenets of common sense and consideration should govern.
 - b. As a convenience to its ISs, the Company may provide various methods of registering or informing the Company of newly enrolled ISs, including online internet registration, telephone registration and facsimile registration. Until such time as the Company receives an application, either as hard copy or by facsimile, containing all appropriate information, as well



as the signature of the proposed new IS, the Company will only consider the internet, telephone or facsimile registration in the category of "intended" recognition of enroller. Thus, although the Company is attempting to create some convenience for its sponsoring ISs, it is the responsibility of the sponsoring IS to cause delivery to the Company of a completed and signed IS agreement if the enroller is to expect formal recognition as the official enroller IS.

- c. There is no "magic" involved in the Company or in any business. Those who sponsor widely but who do not help new ISs develop their business meet with limited success. Therefore, a responsibility of enrollership and sponsorship is to work with new ISs, helping them learn the business and encouraging them during the critical early months.
- d. Enrollers and sponsors are not required to carry inventory of products or sales aids for new ISs. When tangible product is involved, ISs who do so, however, find building a major sales organization much easier because of the decreased response time in meeting a new IS's needs.
- e. When soliciting a prospective IS to join the Company's network program, the IS must clearly explain the following:
 - i. Products: type, performance and quality of each product.
 - ii. Compensation plan.
 - iii. Policies and Procedures.
 - iv. ISs rights and duties.
 - v. Other important items that will affect the judgment of the prospective IS.

50. Transfer of Sponsorship. Transfer is rarely permitted and is actively discouraged. Maintaining the integrity of sponsorship is absolutely mandatory for the success of the overall organization.

- a. Transfers will generally be approved in three (3) circumstances only:
 - i. In the case of unethical sponsoring by the original sponsor. In such cases, the Company will be the final authority.
 - ii. With the written approval of the immediate five (5) upline sponsors.
 - iii. Resigning from the Company entirely and waiting six (6) months to reapply under the new sponsor.
- b. In cases of unethical sponsoring, the individual may be transferred with any downlines intact; in all other events, the individual alone is transferred without any downline ISs being removed from the original line of sponsorship.

51. To be eligible for monthly override commissions and bonuses, the IS must comply with:

- a. Supervisory responsibility requirements as outlined herein.
- b. 70% rule on resale of wholesale product ordered, and
- c. Retail sales rule requiring sales to at least five (5) retail customers per month. The requirement that his/her downline has retailed product which has been purchased at



wholesale.

52. The Company encourages each IS to keep accurate sales records. The program is based upon retail sales to the ultimate consumers; therefore, all forms of stockpiling or pyramiding are prohibited. Products and services are offered to ISs only for personal consumption and for resale to consumers.
53. See specific addenda to IS agreement for specific states as to statutory purchasing limitations, buyback rules and other restrictions, disclosures and additional IS rights and responsibilities. In any state with a business opportunity statute, required expenditures during the first six months shall not exceed the statutory amount that initiates applicability of the state business opportunity statute.
54. Income Claims. No income claims, income projections nor income representations may be made to prospective ISs. Obviously, any false, deceptive or misleading claims regarding the opportunity or product\service are prohibited. In their enthusiasm, ISs are occasionally tempted to represent hypothetical income figures based upon the inherent power of network marketing as actual income projections. This is counter-productive, since new ISs may be quickly disappointed if their results are not as extensive or as rapid as a hypothetical model would suggest. The Company believes firmly that the income potential is great enough to be highly attractive in reality without resorting to artificial and unrealistic projections.
55. Representation of Status. In all cases, any reference the IS makes to him/herself must clearly set forth the IS's independent status. For example, if the IS has a business telephone, the telephone may not be listed under the Company's name or in any other manner which does not disclose the independent contractor status of the IS.
56. Tax Reporting Applicable to Non-U.S. Citizen/Residents. If the IS is a non-U.S. citizen/resident, then he/she hereby confirms that he/she is not a citizen or resident of the United States, and is obliged to inform the Company of this status. The IS agrees that, if the IS engages in any activities related to the Company while physically present in the United States, the IS will (1) inform the Company about such activities, (2) submit a completed **IDS Form 8233*** to the Company if requested by the Company, completed as directed by the Company, for the year in which such activities occur and for each year thereafter, and (3) inform the Company of the aggregate dollar amount of the sales of the IS or the IS's down line that, as reasonably determined by the IS, are attributable to activities that the IS performed while physically present in the United States (including an explanation of how the IS calculated the amount). The IS understands that, if the IS engages in any such activities in any year, the Company may be required to (1) withhold a portion of each payment to the IS in that year and each subsequent



year and (2) report a portion of each payment to the IS to the IDS on IDS Form 1042 and report the same to the IS on IDS Form 1042-S.

***IDS Form 8233 is applicable for distributors in certain countries that are parties to a U.S. tax treaty.**

57. Enforcement of Judgment, Garnishments, Support Orders, Federal Tax Liens, etc. against Company Independent Representatives. The Company will honor enforceable court orders, garnishments, support orders, etc. that have been properly registered in the jurisdiction where the Company is headquartered or registered to do business as an out of state corporation. The Company will also honor any enforceable Federal Tax Lien.
58. Subpoenas Duces Tecum (Demands for Records). Assuming proper jurisdiction, the Company will comply with all subpoenas duces tecum demanding financial compensation records of an IS in his/her capacity as an independent contractor with the Company.
59. Requests for Records. The Company will comply fully with all requests for records accompanied by a properly prepared and signed authorization by the person whose records are being sought. The Company will comply fully with all requests for records by government agencies with the authority to request such records and accompanied by the requisite legal documentation.
60. Business Cards and Stationery. Any printed materials, including business cards and stationery, must be approved by the Company in advance. Criteria for approving these materials will include a judgment regarding the quality of the materials as well as properly setting forth the independent status of the IS.
61. Telemarketing Techniques. The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have "do not call" regulations as part of their telemarketing laws. Although the Company does not consider ISs to be "telemarketers" in the traditional sense of the word, these government regulations broadly define the term "telemarketer" and "telemarketing" so that your inadvertent action of calling someone whose telephone number is listed on the federal "do not call" registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties.

Therefore, ISs must not engage in telemarketing in the operation of their Company businesses. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Company product or service, or to recruit them



for the Company opportunity. "Cold calls" made to prospective customers or ISs that promote either Company products or services or the Company opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a prospective customer or IS (a "prospect") is permissible under the following situations:

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

62. Press Inquiries. Any inquiries by the media are to be referred immediately to the Company. This policy is to assure accuracy and consistent public image.

63. Social Networking. If done correctly and in compliance with Company policies, social networking may be useful in driving traffic to the official Company website and to Company authorized personal replicated websites of ISs. The following rules and guidelines, regarding social networking, are applicable:

- a. The Company encourages ISs to join online forums, discussion groups, blogs, and other forms of Internet communication for the purpose of communicating the benefits of Company products and opportunity. Internet social networking is similar to telephoning,



emailing, and other technology-assisted communication: it is not a violation so long as it complies with the general policies and procedures governing claims and contacting. Social networks include such sites as Facebook, LinkedIn, Twitter and so on. Additionally, there are social networks of like-minded persons. You may find social networks by doing a Google search using varying topics.

- b. You must comply with the rules associated with websites and networks. For instance, some sites prohibit the marketing of financial opportunity or the selling of products. On such sites, you may instead choose to share your testimonial of benefits from the technology of the Company; or you may want to talk about how your life is improving. When others in the network hear your testimonial, they will naturally inquire ... and that is the opportunity to send them to your authorized Company website.
- c. If you are on Facebook or other social networking sites, join our "Fans" or comparable pages. Here are some guidelines for you to follow as you use Facebook, or other social networking sites, to grow your business online.
 1. Positive Steps to Help Your Business:
 - Post as much as you like to your wall.
 - Comment as much as you like on your photos and links.
 - Post as many links on your page.
 2. Activities to Avoid:
 - Do not send more than the allowed friend invites per day or your account may be deactivated.
 - Do not post anything to someone's wall about the Company if they have asked you to stop.
 - Do not send emails with links to anyone you do not know unless they have asked for the link.
 - Do not post more than the allowed times per day to anyone else's walls, as deactivation may occur.
- d. Naming Restrictions: When using the Color Street name in any social media, state in full "Independent Color Street Stylist". You may not use the Color Street name or derivatives (i.e. color StREET, Kolor Stretz, etc.) in an email address, username or URL address. You may not use Director Team names, state/province names, country names or abbreviations of geographical names in isolation in URLs without Color Street consent. You may not use any aliases that could cause confusion or be misleading or deceptive in any way. You must be responsive to Color Street's requests to change your username or alias in the event of a naming conflict. At Director rank you may choose to name your team of Stylists by emailing the name



request to the VP of Sales; team names are subject to approval of the Company.

e. You may use social networking sites (Facebook, Instagram, Pinterest, Twitter, etc.) to promote Color Street products and the vision and to direct contacts to your personal website or external website. These sites may not be used to advertise sale of your inventory on hand or for advertising any personal specials.

f. You may not post your personal website URL or solicit team members or sales on any corporate Color Street social media presence page or any social media benefiting from Color Street charitable cause products.

An IS must treat Facebook or any other online forum just like real life but in the virtual space. Your property is your page while other people's pages are their property; and this "ownership" must be respected as if it were the real property of your neighbor. This simple approach will keep you out of trouble with social networking sites and help us maintain the integrity of the Company.

64. Internet Search Engine Optimization.

- a. ISs may use, reference, or incorporate the Company names and trademarks in approved Internet advertising.
- b. When participating in chat rooms and other social media, Company ISs may use approved Company language (as represented in the brochures, promotional and training materials of the Company and on the Company website) for the purpose of discussing the Company products and opportunity.
- c. ISs may use the language of approved Company literature for Internet advertising. Company trademarks, trade names, or product names, or any variations thereof, may not be used in search engines.
- d. ISs may communicate the benefits of Company products on the Internet and on search engines in appropriate categories.
- e. ISs may not use language that is sexually explicit, threatening, pornographic, violent or otherwise prohibited.
- f. In no way should any independent website or link give the impression of being the official website of the Company, rather than that of a Company IS. All Internet advertising must clearly report that the ad is placed by an "IS" of the Company.
- g. ISs may use words from approved Company advertising as "key words" for the purpose of having communications found by search engines.
- h. With the exception of the IS's authorized hosted Company website, the use of the



Company name within a URL address/domain name, directory, file name, e-mail address, official title for a social media account, or any derivative thereof, is not permitted (by way of example, but not limited to the varying derivatives of the name of the Company that use the Company name in the URL or domain name. Company ISs may not use any domain name or email address that includes any reference, whether abbreviated or not, to the Company name, products or services, except in connection with the Company IS's authorized replicated Company website.

- i. Company ISs may not publish, post, or distribute any material on their websites or in conversation or postings on the Internet, including blogs and social networking in connection with the Company that is defamatory, libelous, disparaging, threatening, offensive, harassing, abusive, obscene, pornographic, in violation of applicable law or that inhibits others from enjoying the Company's main website or the Company ISs' websites.
- j. Determination of whether a link is objectionable is solely at the discretion of the Company.
- k. ISs may not use tactics such as "cloaking" or other deceptive means on the ISs' web pages (*For example: Cloaking in Google terms means designing a website so that search engines see one thing and visitors see another.*)
- l. As a practical matter, Company ISs should make sure that any advertising through digital media, such as the Internet and email, is fully compliant with Company policies and procedures, Internet Compliance Department and existing laws and regulations.
- m. Company ISs may not sell or advertise products over the Internet through independently designed shopping carts or websites that use the names, logos, product or income testimonials, compensation plan or product description(s) of the Company. ISs may send "general mailings" only to ISs in their downline organizations and their direct upline enrolls. Any other bulk use of email is prohibited by the Company and will result in immediate discipline which may result in termination of IS rights and benefits and the loss of IS rights, including sales organizations and compensation. Various kinds of prohibited emails – either bulk or individual – include, but are not limited to the following:
 - i. Totally Unsolicited or Blind Mass Email. Many "lists" that can be purchased for distribution over the Internet have been illicitly compiled and result in completely unsolicited information being sent to uninterested parties. Since the expense is so low to distribute to these lists, they are even more prevalent than bulk-mailings through traditional channels. Any use of a list not specifically approved by the Company or compiled from a legitimate genealogical listing of the emailer's downline organization is subject to immediate discipline.
 - ii. Hidden Approval Mass Email. Sites that garner approval by having hidden, discreet or non-prominent "buttons" that are selected by default rather than choice are illegal. For instance, if it is necessary to de-select approval to keep from being



added to a list (rather than requesting to be added), the resulting list is illegal. Many supposedly "approved lists" have in fact been gathered illicitly through this means.

- iii. Third Party Approval for Mass Email. Companies that gather approval from inquiries, then sell the lists to third parties where the person giving approval is not informed that a third party will contact them, compile illegal lists. These companies frequently distribute to many third parties who "bury" the user with many emails.
- iv. Legal and Ethical Email Communication. Email is by its nature personal and mutual: An appropriate Company email is a communication in which both parties are interested. Rather than requiring denial to terminate ("If you want your name removed from this list ..."), it requires consent to initiate. Any email communication which violates this premise is potentially illegal and subjects the author to disciplinary review.
- v. Specifically Illegal Practices: False Reply-To Address. Any attempt to disguise the identity of the emailer will be taken as evidence for the intent of fraud and subject the sender to immediate discipline.
- vi. Linking. No links may be made from an IS website, except as provided or authorized by the Company. Authorized links include:
 - Links made to a Company IS website for the purpose of Company communication, so long as such communication does not violate the terms and conditions of this agreement and such agreements as a Company IS has with the Company.
 - Links from blogs and social networking sites joined for the purpose of networking, marketing, sponsoring, and selling the Company products. The trademarks, names, and identities of the Company are for the exclusive use and licensing of the Company. The purpose of the Company licensing of IS sites is to supervise and control the content by which Company products and opportunity are marketed. Any effort to circumvent this authorization and supervision will be regarded as a violation of the rules and regulations and subject to immediate discipline, and social network and/or participating in the conversations of blogs must conform to these standards.
- n. Lawful use of the Internet. The Company supports all laws and regulations regarding use of the Internet, the Worldwide Web, and all other communication technologies. Any person associated with the Company program found in violation of said rules and regulations, including, but not limited to spamming (unsolicited bulk contact using the Internet), etc., is subject to immediate discipline.



- o. Internet Banner Advertising, etc. Banner advertising is bound by the same policies and procedures affecting other forms of advertising and must conform to general policies and procedures.
65. Federal and state regulatory agencies rarely approve or endorse direct selling programs. Therefore, ISs may not represent that the Company's program has been approved or endorsed by any governmental agency.
66. Indemnification and Hold Harmless. The IS hereby indemnifies and releases Company, its officers, directors, agents and assigns and holds harmless from and against the full amount of any and all claims, causes of action, judicial and administrative proceedings suits, charges, liabilities, losses, damages, costs and expenses, including without limitation court costs and reasonable fees and expenses of attorneys and consultants, which are or may be made, filed or assessed against Company at any time arising out of IS's business operations and representations made by IS in the operation of his/her business, arising from the following:
- a. Violation and/or lack of compliance with terms of the IS agreement, policies and procedures, rules and regulations, marketing program manual or guidelines or any other directive from the Company as to method and manner of operation of the IS business;
 - b. Engaging in any conduct not authorized by the Company in the Company market program;
 - c. Any fraud, negligence, or willful misconduct in the operation of the IS business;
 - d. Misrepresentation or unauthorized representation regarding the Company's product or service, marketing opportunity or potential or the Company's marketing program;
 - e. Failure to adhere to any federal, state or local law, regulation, ordinance and/or any order or rule issue by any court of appropriate jurisdiction;
 - f. Engaging in any action which exceeds the scope of authority to the IS as granted by the Company;
 - g. Engaging in any activity over which Company has no effective control as to the actions of the IS.
 - h. Engaging in the general business operations of IS's business.
67. Waiver. The Company never gives up its right to insist on compliance with these rules or with the applicable laws governing the conduct of a business. This is true in all cases, both specifically expressed and implied, unless an officer of the Company who is authorized to bind the Company in contracts or agreements specifies in writing that the Company waives any of these provisions. In addition, any time the Company gives permission for a breach of the rules, that permission does not extend to future breaches. This provision deals with the concept of "waiver," and the parties agree that the Company does not waive any of its rights under any circumstances short of the written



confirmation alluded to above.

68. Governing Law. These rules are reasonably related to the laws of the state of New Jersey and shall be governed in all respects thereby. The parties agree that jurisdiction and venue shall lie with the place of acceptance of the IS application, the state of New Jersey.
69. Partial Validity. Should any portion of these Rules and Regulations, of the IS's application and agreement, or of any other instruments referred to herein or issued by the Company be declared invalid by a court of competent jurisdiction, the balance of such rules, applications, or instruments shall remain in full force and effect.