

Color Street

Stylist Compensation Plan

SUMMARY

Color Street uses “social selling” as its primary marketing method. As a Stylist, you may hold Nail Bars in people’s homes or in public or private venues, sell nail polish strips to clients and build a fun and exciting business. Finding new clients for Color Street’s nail polish strips is the foundation of your ongoing success.

Color Street’s social selling system also allows you to invite others to be part of your Stylist team, enhancing your income potential. The people you bring into your business team as Stylists, together with the people they bring, are known as your “team,” your “group,” your “organization” or your “downline.” Within the Marketing, Leadership and Executive phases, there are many ways for you to make money in this Compensation Plan.

1. **Jump Start Incentives:** Color Street wants to help you get a strong start by offering you special incentives for early achievement. You can earn one-time Jump Start rewards, both cash and product credits, in your first 95 days.
2. **25% Base Retail Commission:** You will receive a 25% Base Commission on your Personal Volume (PV). This will be paid via a weekly rebate, direct deposit to your bank account of record.
3. **Up to 10% Enhanced Retail Commission:** You can earn up to 10% additional commission, paid monthly, based on your Personal Volume for the month. Combined with the 25% Base Commission, this means you can earn up to 35% on your Personal Volume.
4. **Enroller Matching Jump Start Bonuses:** To reward you for training new Stylists you personally enroll, we’ll give you a 100% match on their Jump Start bonuses when both of you are also Bonus Qualified!
5. **3% Direct Enroller Bonus and 3% Indirect Enroller Bonuses:** When you personally enroll another Stylist (your “Enrollee 1” or “E1”), you’ll receive a 3% Enroller Bonus on that Stylist’s Personal Volume (PV), if you are Bonus Qualified.

When your E1s personally enroll others (your “E2s”), and you’re a qualified Team Leader or higher rank, you’ll earn a 3% Indirect Enroller Bonus on those Stylists’ Personal Volume (PV) if you’re Bonus Qualified. You’ll also be able to “place” the sponsorship of your enrollees with others in your downline, when it’s to your advantage.

6. **Level Overrides -- Four Levels of 3% PV Leadership Bonuses:** When you sponsor someone, they’re on your “Level 1” (even if someone above you enrolled them and “placed” them under you) and you’ll receive a 3% PV “L1” Bonus on their Personal Volume. When they sponsor someone, that person becomes your Level 2 and as you advance in rank, you can earn 3% PV Bonuses on your 2nd, 3rd and 4th Levels. (L1, L2, L3 and L4 bonuses)
7. **1.5% Leadership Depth Bonus:** As a Senior Director, you’ll begin earning a Leadership Depth Bonus of 1.5% PV on all the volume placed beyond your 4th level. The Leadership Development Bonus for a given order will pay to the first paid-as Senior Director upline from the origin of the order who

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does not receive a Level Override instead. In other words, the Senior Director will earn the Leadership Depth bonus beginning on their 5th level down through (but not including) the fifth level of a downline Senior Director or higher.

8. **1.5% Team Bonus:** When you reach the rank of Executive Director (ED), you'll qualify to receive a 1.5% bonus on your Team Volume (TV).
9. **3% Generation Bonuses:** As an Executive Director, when someone on your team achieves the rank of ED, their Team Volume (TV) comes out of your TV and becomes part of your 1st Generation. They begin receiving the 1.5% bonus on their TV and you start receiving a 3% 1st Generation Bonus. When someone on their team becomes an ED, that person and their entire group becomes your 2nd Generation. You can earn 3% Generation Bonuses on up to three generations depending on your Rank.
10. **Car/Lifestyle Bonuses:** When you become an Executive Director, you'll also start receiving a monthly "Lifestyle Bonus" that you can use for any visible enhancement to your quality of life, such as a luxury car, a bigger home, etc. This "Lifestyle Bonus" can be as much as \$1,000 per month on top of all the other commissions and bonuses set forth in this plan.

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Jump Start Rewards

Your Jump Start Goals

In your first 35 Days — Days 0-35

Sell \$1,000 PV
(plus BQ in the month you hit \$1,000)

Enroll 1 qualified Stylist
(and be BQ yourself that month)

In your first 65 Days — Days 0-65

Sell \$2,500 PV
(plus BQ in the month you hit \$2,500)

Enroll 3 qualified Stylists
(and be BQ yourself that month)

In your first 95 Days — Days 0-95

Sell \$4,000 PV
(plus BQ in the month you hit \$4,000)

Your Jump Start Rewards

JS35 \$50 product credit

JSE35 \$50 product credit

JS65 \$75 product credit

JSE65 \$75 product credit

JS95 \$150 product credit

Team Leader

Time frame: first 3 full commission periods \$100 (this doubles to \$200 if promotion happens in first two full commission periods) (enrollment month plus first 3 full periods)

Plus, when you enroll a new qualified Stylist who achieves the above, you also receive the award if you are BQ!

Additional Information

All Bonus Qualified Stylists are eligible to earn awards based on activity within their first 95 days (start date is considered "day 0". If a Stylist meets the requirements, but is not Bonus Qualified in the current month, they may receive the bonus in the next month if they become Bonus Qualified and that award deadline (day 36, 65 or 95) occurs in that following month. In addition, whenever a new Stylist receives a Jump Start award, their enroller may receive a matching award if they are Bonus Qualified in the current month. If their enroller is not Bonus Qualified in the month in which the Jump Start award is issued, no enroller portion will be awarded. There is no requirement that one award be earned to be eligible for other awards. A Qualified Stylist must have a start date within the enroller's Jump Start timeframe for the bonus listed + a minimum of \$300 PV within a single commission period (month). This may be during the new Stylist's enrollment month or in their first full month. Please note these 2 periods are not cumulative. *Example:* A Stylist's Jump Start period runs through the end of January. They enroll a new Stylist on January 25th. If they have \$300 PV in either January or February (must all be within a single month) they will be considered a "qualified Stylist." If they do not have \$300 PV within a single month until March or later, they will not count as a "qualified Stylist" for purposes of Jump Start. Product Credits earned through Jump Start may be redeemed by Stylists as a form of payment on an order.

I. THE MARKETING PHASE—BUILD YOUR RETAIL SALES

There are three “phases” in Color Street’s Compensation Plan. The first is the “Marketing Phase” in which you earn retail commissions for your Personal Volume. The “Leadership Phase” is about building your team and supporting the social selling efforts of your downline. Finally, the “Executive Phase” generously rewards you for mentoring other Stylists. The first step for any new Stylist is to complete a Stylist Application and purchase a Stylist Basic Starter Kit, which contains more than \$200 worth of retail value products and sales materials and one free month of personalized website, for just \$129 plus tax and shipping. *No commissions or bonuses of any kind are paid on Starter Kits.*

Retail Commissions

The foundation of your Color Street business is selling products and creating new clients. When you lead a Nail Bar, you share your enthusiasm for the products, take orders to be fulfilled by the Company and develop lasting client relationships. These sales to clients generate the revenue from which your commissions and the bonuses earned by your upline for helping you are paid. As soon as your Application has been accepted by the Company, you’ll be designated as an Independent Color Street Stylist, eligible to earn the 25% Base Commission on all your Personal Volume (PV), as well as Enhanced Retail Commissions (based on your PV for the month), making it possible for you to earn up to 35% on your own retail sales (*see Table 1*). Each month begins a new cycle with the potential to earn one level of Enhanced Retail Commissions based on your PV for that month.

Table 1, Base and Enhanced Retail Commissions

PERSONAL VOLUME (PV) IN CURRENT MONTH	COMMISSIONS YOU EARN ON YOUR PV	TOTAL
UP TO \$599	25% PAID WEEKLY	25%
\$600 TO \$1199	3% PAID MONTHLY	28%
\$1200 TO \$1,799	5% PAID MONTHLY	30%
\$1800 PV TO \$2399	7% PAID MONTHLY	32%
\$2400+	10% PAID MONTHLY	35%

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***NOTE:** *Even though you may purchase and maintain some product for immediate delivery to clients, you will need to track these sales from your inventory at Nail Bars, so you can provide your own Host rewards on these sales. Once you make an inventory purchase, the Company is NOT responsible for tracking that inventory and provides no mechanism for combining orders fulfilled from your inventory with orders to be shipped by Color Street.*

How to qualify for and maintain your Stylist benefits

The beginning position in the Color Street Compensation Plan is Stylist. You become a Stylist when you:

Qualifications:

1. Submit your Color Street Stylist Application, and receive notification from the company that it has been accepted; and
2. Purchase the Stylist Basic Starter Kit.

Base Retail Commission:

All Stylists, regardless of title or Bonus Qualified Status, are eligible to receive a 25% Base Retail Commission on the Personal Volume (PV) of personal commissionable orders. Base Retail Commissions are paid during the rebate processing.

Enhanced Retail Commission:

All Stylists may be eligible to receive an Enhanced Retail Commission on the Personal Volume (PV) of all personal commissionable orders. The amount of Enhanced Retail Commissions paid will be based on the Stylist's PV for the commission period, according to the following table:

PV	ENHANCED RETAIL COMMISSION
\$600 - \$1199.99	3%
\$1200 - \$1799.99	5%
\$1800 - \$2399.99	7%
\$2400 +	10%

II. THE LEADERSHIP PHASE—WORK WITH OTHERS TO BUILD A TEAM

There are many ways to earn money from your Color Street business. Keep in mind that all these ways of earning income are cumulative and can reward you generously for your efforts.

Earn Enroller Matching Jump Start Bonuses

It's important to help your new Stylists establish good business practices right away. Generally, the best way to do this is to help them schedule, plan and conduct their "Grand Opening" Nail Bar as soon as possible. This will get them started creating retail clients, booking other Nail Bars and enrolling others into their business so they can receive bonuses on their sales.

During their first 95 days, they will have the opportunity to earn special Jump Start Bonuses *in addition to* the ongoing compensation defined in this plan. By helping them meet specific performance benchmarks that comprise the company's *Jump Start Rewards* program, you can earn a 100% match on those rewards.

See the section in this document on the Jump Start program for details.

Earn Enroller Bonuses

When you personally enroll new Stylists (your "E1s"), you begin receiving ongoing 3% Direct Enroller Bonuses (DEB) on all their Personal Volume (PV)). When your E1s personally enroll others (your "E2s"), and you've reached the rank of Team Leader or higher, you'll also earn 3% Indirect Enroller Bonuses (IEB) on those Stylists' Personal Volume. *(These bonuses are paid monthly if you're Bonus Qualified.)* When combined with the 3% Level Bonuses (see below), you can earn a full 6% bonus on all the PV generated by your personal enrollees (your "E1's") and their personal enrollees (your "E2's"). These Enroller Bonuses are not subject to compression. If a Stylist is not paid-as Bonus Qualified Stylist or higher in the current commission period, the Enroller Bonuses they would otherwise receive will not be paid.

Level Overrides: Leverage Your Earnings with Level Bonuses

The term "Level" is used to describe your relationship to the other Stylists based on the sponsor (or placement sponsor) relationship. When you sponsor someone, or when you are made the Placement Sponsor of a Stylist, that Stylist is your Level 1. When that person sponsors someone, the new Stylist becomes your Level 2, and so on. All Bonus Qualified Stylists and higher are eligible to receive Level Overrides on the Personal Volume (PV) of orders placed within up to 4 levels of their downline. If a Stylist is not Bonus Qualified, the override at that level will roll up to the first Stylist in the upline that is Active (BQ in at least 1 of the past 6 months). If an Active Stylist is ineligible for a Level Override at a given level – say, for example the Active Stylist is not Bonus Qualified that month -- the override at that level will be retained by the company.

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Earning Leadership Depth Bonuses

In addition, Stylists with a paid-as rank Senior Director or higher are eligible to receive a Leadership Depth Bonus (LDB) on orders placed beyond their 4th level. The bonus begins on Level-5 (where the Level Override Bonus ends).

Explained from the top down: A Stylist is paid the LDB Bonus beginning on Level-5 down to but not including Level-5 of the next Stylist with a paid rank of Senior Director or above.

Explained from the bottom up: Beginning with the designated Leadership Depth Bonus Level-4 recipient, the bonus is paid to the 1st upline Stylist that has a paid rank of Senior Director or above.

Level Overrides are earned based on the paid-as rank for the commission period, according to the following table:

Paid-As Rank	L1	L2	L3	L4	LDB
BQ Stylist	3%	-	-	-	-
Sr. Stylist	3%	3%	-	-	-
Team Leader	3%	3%	3%	-	-
Director	3%	3%	3%	3%	-
Sr. Director and higher	3%	3%	3%	3%	1.5%

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Retail Commission, Enroller and Level Bonuses

RANK	STYLIST (ST)	SENIOR STYLIST (SRST)	TEAM LEADER (TL)	DIRECTOR (DIR)	SENIOR DIRECTOR (SDIR)
PROMOTION AND MAINTENANCE REQUIREMENTS					
	BQ ¹	BQ ¹ <i>PLUS</i> 2 QUALIFIED LEGS ² <i>AND</i> \$2,000 GV-LIFETIME <i>AND</i> \$1000 GV THAT MONTH (50% RULE DOESN'T APPLY TO SRST)	BQ* ¹ <i>PLUS</i> 3 QUALIFIED LEGS ² , 1 OF WHICH CONTAINS A QUALIFIED SENIOR STYLIST OR ABOVE <i>AND</i> \$5,000 GV-LIFETIME ³ (50% RULE DOESN'T APPLY) <i>AND</i> \$2,500 GV-CAPPED THAT MONTH ⁴ (50% RULE APPLIES)	BQ ¹ <i>PLUS</i> 4 QUALIFIED LEGS ² , INCLUDING 2 QUALIFIED SENIOR STYLIST LEGS OR ABOVE AND 1 QUALIFIED TEAM LEADER LEG OR ABOVE (IN SEPARATE LEGS) <i>AND</i> \$20,000 GV-LIFETIME ³ (50% RULE DOESN'T APPLY) <i>AND</i> \$7,500 GV-CAPPED THAT MONTH ⁴ (50% RULE APPLIES)	BQ ¹ <i>PLUS</i> 5 QUALIFIED LEGS ² , INCLUDING 2 QUALIFIED TEAM LEADER LEGS OR ABOVE AND 1 QUALIFIED DIRECTOR LEG, OR ABOVE (IN SEPARATE LEGS) <i>AND</i> \$50,000 GV-LIFETIME ³ (50% RULE DOESN'T APPLY) <i>AND</i> \$25,000 GV-CAPPED THAT MONTH ⁴ (50% RULE APPLIES)
RETAIL COMMISSIONS⁵					
<i>(NOTE: YOU DO NOT HAVE TO BE BQ TO RECEIVE BASE RETAIL COMMISSIONS.)</i>	25% TO 35% COMMISSION ⁵	25% TO 35% COMMISSION ⁵	25% TO 35% COMMISSION ⁵	25% TO 35% COMMISSION ⁵	25% TO 35% COMMISSION ⁵
ENROLLER AND LEVEL BONUSES					
ENROLLER BONUSES	E1 - 3%	E1 - 3%	E1 - 3% E2 - 3%	E1 - 3% E2 - 3%	E1 - 3% E2 - 3%
LEVEL 1	3%	3%	3%	3%	3%
LEVEL 2		3%	3%	3%	3%
LEVEL 3			3%	3%	3%
LEVEL 4				3%	3%
LEADERSHIP DEPTH BONUS					1.5% (DOWN THROUGH BUT NOT INCLUDING THE 5 TH LEVEL OF 1 ST DOWNLINE SENIOR DIRECTOR)
¹ BQ = \$300+ PV IN A CALENDAR MONTH ² QUALIFIED LEG: A LEG WITH AT LEAST ONE BQ STYLIST. ³ GV LIFETIME IS THE SUM OF THE STYLIST'S GV-UNCAPPED FROM THE CURRENT MONTH AND EVERY PRIOR MONTH AND IS ACCUMULATED ON A MONTHLY BASIS. ⁴ GV-CAPPED IS MONTHLY GV CAPPED BY THE 50% RULE, WHERE NO MORE THAN 50% OF GV CAN COME FROM ONE LEG. SEE FULL DEFINITION IN THE GLOSSARY. ⁵ SEE TABLE 1: BASE AND ENHANCED RETAIL COMMISSIONS.					

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Examples of Level Bonuses paid on Stylist "H":

Example 1

Name	Active	Paid Rank	BQ	Actual Tree Level	Paid Level	% Paid on H	Comments
A	Yes	SED	Yes	7	7		
B	Yes	ED	Yes	6	6		
C	Yes	SD	Yes	5	5		
D	Yes	DIR	Yes	4	4	3%	
E	Yes	TL	Yes	3	3	3%	
F	Yes	SS	Yes	2	2	3%	
G	yes	BQS	Yes	1	1	3%	
H		BQS		0			

Example 2:

Name	Active	Paid Rank	BQ	Actual Tree Level	Paid Level	% Paid on H	Comments
A	Yes	DIR	Yes	7	5		
B	Yes	TL	Yes	6	4	None	Paid Rank too low
C	Yes	TL	Yes	5	3	3%	
D	Yes	BQS	Yes	4	2	None	Paid Rank too low
E	Yes	TL	Yes	3	1	3%	
F	No	STY	No	2	Compressed	Compressed	Not eligible
G	No	STY	No	1	Compressed	Compressed	Not eligible
H		STY		0			

Example 3:

Name	Active	Paid Rank	BQ	Actual Tree Level	Paid Level	% Paid on H	Comments
A	Yes	DIR	Yes	7	7		
B	Yes	TL	Yes	6	6		
C	Yes	TL	Yes	5	5		
D	Yes	BQS	Yes	4	4	None	Paid Rank too low
E	Yes	TL	Yes	3	3	3%	
F	Yes	STY	No	2	2	None	Paid Rank too low
G	Yes	STY	No	1	1	None	Paid Rank too low
H		STY		0			

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Promotion and Monthly Maintenance Requirements for Your Leadership Phase

Senior Stylist

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV that month;
2. Maintain at least two (2) Qualified Legs;
3. Accumulate \$2,000 in GV-Lifetime
4. At least \$1000 GV in the current month. *(50% rule does not apply to Sr. Stylists)*

Team Leader

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV that month;
2. Maintain three (3) Qualified Legs, including one Qualified Senior Stylist Leg (or above);
3. Accumulate \$5,000 GV-Lifetime *(50% rule doesn't apply)*
4. Achieve \$2,500 GV-Capped that month. *(The 50% rule applies -- no more than 50% of your required GV for the month can come from one leg.)*

Director

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV that month;
2. Maintain four (4) Qualified Legs, including two Qualified Senior Stylist Legs (or above) and one Qualified Team Leader Leg (or above), in separate Legs, and
3. Accumulate \$20,000 GV-Lifetime *(the 50% rule doesn't apply)*
4. Achieve \$7,500 GV-Capped that month. *(The 50% rule applies -- no more than 50% of your required GV for the month can come from one leg.)*

Senior Director

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV that month;
2. Maintain five (5) Qualified Legs, including two Qualified Team Leader Legs (or above) and one Qualified Director Leg (or above), in separate Legs, and
3. Accumulate \$50,000 GV-Lifetime *(50% rule does not apply)*
4. Achieve \$25,000 GV-Capped that month *(50% Rule Applies – no more than 50% of your required GV can come from one leg.)*

EXECUTIVE PHASE—EARN GENERATION BONUSES

When you become an Executive Director (ED) under this plan, you begin to qualify for Team Bonuses and Generation Bonuses.

***NOTE:** As a “Paid As” Executive Director or higher, you’ll continue to receive your 3% E1 and E2 Enroller Bonuses, your 3% Level Bonuses through four levels and your 1.5% Leadership Depth Bonus, just as you did when you were a Senior Director. Executive Phase Bonuses are in addition to your other compensation.*

Team Bonus & Generation Bonuses:

As an Executive Director, you qualify to receive a 1.5% Team Bonus (TB) and 3% Generation Bonus on the Personal Volume (PV) of orders placed within your team (including personal orders) and up through one generation within your downline. It’s important to understand that your Team Volume Bonus is not level sensitive, so you can now earn bonuses on all the depth in your team beyond the compressed levels of the Leadership Phase. This provides Executive Directors, Senior Executive Directors and National Executive Directors with a method to earn a potentially significant increase in their income, based on Team Volume. Your Team Bonus is not paid on volume from the teams of downline Executive Directors and higher; when someone in your downline is a paid-as Executive Director or higher, they have “broken away” from your team and formed their own team.

When you help someone in your downline achieve the rank of Executive Director, that new ED’s Team comes out of your Team and becomes your 1st Executive Generation. Your new ED will begin receiving the 1.5% ED Team Bonus on her TV and you will now begin receiving a 3% Generation Bonus on that Executive Director’s TV, to unlimited depth until reaching another Executive Director or higher rank in a particular Leg. That’s a huge increase in your income on all that sales volume!

When your 1st Generation Executive Director has someone in their group who becomes a 1st Generation Executive Director, that person’s organization will become your 2nd Generation. If you have qualified for the rank of Senior Executive, you will receive a 3% 2nd Generation Bonus on that Executive Director’s TV to unlimited depth until reaching another Executive Director or higher rank in a particular Leg.

When someone in one of your 2nd Generation groups becomes an Executive Director, that person’s organization will become your 3rd Generation and, if you have qualified as a National Executive, you’ll receive a 3% 3rd Generation bonus on that Executive Director’s TV to unlimited depth until reaching another Executive Director or higher rank in that Leg.

Generation bonuses are paid to unlimited depth in each generation until another Executive Director or higher rank person is found. This continues down to a maximum of three compressed Generations.

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Executive Bonuses

RANK	EXECUTIVE DIRECTOR (ED)	SENIOR EXECUTIVE (SE)	NATIONAL EXECUTIVE (NE)
	Promotion and Maintenance Requirements		
	BQ ¹ <i>plus</i> 6 Qualified Legs ² , including 2 Qualified Director Legs and 1 Qualified Senior Director Leg (separate Legs) <i>and</i> \$150,000 GV-Lifetime ³ <i>(the 50% rule doesn't apply)</i> <i>and</i> Achieve \$50,000 GV-Capped ⁴ that month <i>(50% Rule applies)</i>	BQ ¹ <i>plus</i> 7 Qualified Legs ² , including 2 Qualified Senior Director Legs and 1 Qualified ED Leg (separate Legs) <i>and</i> \$500,000 GV-Lifetime ³ <i>(the 50% rule doesn't apply)</i> <i>and</i> \$150,000 GV-Capped ⁴ that month <i>(50% Rule applies)</i>	BQ ¹ <i>plus</i> 8 Qualified Legs ² , including 2 Qualified Senior Director Legs, 1 Qualified ED Leg and 1 Qualified SE Leg (separate Legs) <i>and</i> \$1,000,000 GV-Lifetime ³ <i>(the 50% rule doesn't apply)</i> <i>and</i> \$300,000 GV-Capped ⁴ that month <i>(50% Rule applies)</i>
	Team and Generational Bonuses		
Team Bonus	1.5% TV	1.5% TV	1.5% TV
1st Generation Bonus (G1)	3%	3%	3%
2nd Generation Bonus (G2)		3%	3%
3rd Generation Bonus (G3)			3%
	Lifestyle Bonuses		
	\$500	\$750	\$1,000
¹ BQ = \$300+ PV IN A CALENDAR MONTH ² QUALIFIED LEG: A LEG WITH AT LEAST ONE BQ STYLIST. ³ GV LIFETIME IS THE SUM OF THE STYLIST'S GV-UNCAPPED FROM THE CURRENT MONTH AND EVERY PRIOR MONTH AND IS ACCUMULATED ON A MONTHLY BASIS. ⁴ GV-CAPPED IS MONTHLY GV CAPPED BY THE 50% RULE, WHERE NO MORE THAN 50% OF GV CAN COME FROM ONE LEG. SEE FULL DEFINITION IN THE GLOSSARY. ⁵ SEE TABLE 1: BASE AND ENHANCED RETAIL COMMISSIONS.			

Promotion and Monthly Maintenance Requirements for Your Executive Phase

Executive Director (ED)

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV;
2. Six Qualified Legs, including two Qualified Director Legs and one Qualified Senior Director Leg (separate Legs);
3. \$150,000 GV-Lifetime (*50% rule doesn't apply*)
4. \$50,000 GV-Capped that month (*the 50% Rule applies*).

Senior Executive Director (SE)

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV
2. Seven Qualified Stylist Legs, including two Qualified Senior Director Legs and one Qualified Executive Director Leg (separate Legs);
3. \$500,000 GV-Lifetime (*50% rule doesn't apply*)
4. \$150,000 GV-Capped that month (*the 50% Rule applies*).

National Executive Director (NE)

Promotion and maintenance:

1. Bonus Qualified with \$300+ PV;
2. Eight Qualified Stylist Legs, including two Qualified Senior Director Legs, one Qualified Executive Director Legs, one Qualified Senior Executive Director Leg (separate Legs)
3. \$1,000,000 GV-Lifetime (*50% rule doesn't apply*)
4. \$300,000 GV-Capped that month (*the 50% Rule applies*).

Car/Lifestyle Bonuses

Color Street wants its Executive Directors and above to drive in style as they represent this fabulous beauty brand. Executive Directors receive a \$500 monthly Car/Lifestyle Bonus. Senior Executive Directors receive \$750. And National Executive Directors receive \$1000!

We encourage you to use this bonus to buy or lease a luxury vehicle as you hit the streets with your Color Street business. If you already have the vehicle of your dreams, you can use this lifestyle bonus to enhance the quality of your life in such areas as paying or saving for college tuition, donating to your favorite charities, putting an addition on your home – significant upgrades to your lifestyle.

Sapphire National Executive Director

Upon earning the rank of National Executive Director and having one National Executive Director Leg (NED Leg) in your downline, you will be promoted to the rank of Sapphire National Executive Director.

The rewards for achieving Sapphire National Executive Director are not paid in commissions, change periodically, and are detailed in a separate document that highlights rewards for promotions to higher ranks.

Ruby National Executive Director

Upon earning the rank of National Executive Director and having two National Executive Director Legs (NED Legs) in your downline, you will be promoted to the rank of Ruby National Executive Director.

The rewards for achieving Ruby National Executive Director are not paid in commissions, change periodically, and are detailed in a separate document that highlights rewards for promotions to higher ranks.

Emerald National Executive Director

Upon earning the rank of National Executive Director and having three National Executive Director Legs (NED Legs) in your downline, you will be promoted to the rank of Emerald National Executive Director.

The rewards for achieving Emerald National Executive Director are not paid in commissions, change periodically, and are detailed in a separate document that highlights rewards for promotions to higher ranks.

Diamond National Executive Director

Upon earning the rank of National Executive Director and having four or more National Executive Director Legs (NED Legs) in your downline, you will be promoted to the rank of Diamond National Executive Director.

The rewards for achieving Diamond National Executive Director are not paid in commissions, change periodically, and are detailed in a separate document that highlights rewards for promotions to higher ranks.

GLOSSARY OF TERMS

50% RULE: Beginning with the rank of Team Leader, no more than 50% of the GV-Capped can come from any one leg. (See GV-Capped definition for an explanation and example) The purpose of this rule is to encourage each Stylist to build multiple strong Legs. Any amount greater than 50% of the rank required GV that comes from one Leg of a Stylist's downline will not be counted toward the total required for promotion or maintenance of that rank. However, the Stylist will be paid bonuses on all the volume, from whatever source, that the Stylist is entitled to be paid upon for the Paid Rank for which that Stylist is qualified, AFTER application of the 50% Rule, regardless of whether that volume was used to determine the Paid Rank.

ACCOUNT STATUS: There are multiple account statuses for Stylists:

ACTIVE: Be Active by achieving BQ (Personal Volume of \$300 or more) in at least one of the past 6 months.

SUSPENDED: The account is suspended by the home office. When a Stylist's status is suspended, no orders can be placed, the Stylist does not have access to her back office, and the Stylist web site is not visible. Stylist accounts are suspended for such reasons as payment issues, questions/concerns about compliance with company policies, etc.

TERMINATION PENDING: If a Stylist fails to achieve BQ in at least one of the past six months, her account is moved to a status of Termination Pending on the last second of the last day of the commission period (month) – and will then change to a status of terminated when commissions are processed and paid early the following month.

TERMINATED: Stylists whose accounts have been closed and who thus lose the downline Stylists, Hosts, and Customers in the Enroller Tree and Sponsor Tree.

APPLICATION AND AGREEMENT FORM: This is a legally binding agreement between you and the Company that covers your rights, duties, and responsibilities and those of the Company. This is vital and necessary information. The Policies & Procedures manual is an extension of this Agreement and should be read carefully.

BONUS QUALIFIED: You're bonus qualified (BQ) when you have Personal Volume (PV) of \$300 or more in a given commission period.

BREAKAWAY: When Stylists are promoted to Executive Director, they "break away" from their sponsors. Breakaway status as an Executive Director is relevant to Team Bonus and Generation bonuses.

COMMISSION: You are paid the 25% retail commission via a weekly rebate. The funds are direct deposited to the bank account you list in your Virtual Office. You are paid monthly bonuses based when we run the commissions each month that determine rank promotions and maintenance.

COMMISSION PERIOD: The time between compensation processing runs. The compensation plan is

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based on weekly and monthly commission periods.

Weekly: A Weekly period begins Wednesday morning at 12:00:00 am Pacific Time and ends the following Tuesday night at 11:59:59 pm Pacific Time. Color Street processes the weekly rebates of Base Retail Commission on Wednesday each week unless Stylists are notified otherwise.

Monthly: The Monthly period begins the first day of the month at 12:00:00 am Pacific Time and ends the last day of the month at 11:59:59 pm Pacific Time. Color Street processes the monthly commissions within the first five business days of each month.

COMPRESSION (Generational): Generation Bonuses are earned by and paid to qualified Executive Director or higher rank Stylists. Should an Executive, Senior Executive or National Executive not meet their qualifications for maintaining their rank status during a pay period, they will be "Paid As" the rank for which they do meet the qualifications, even if it is a rank lower than Executive Director. In that case, they would not receive Generation Bonuses.

However, for the purpose of paying upline qualified Executive Directors or higher rank people, the volume created in that non-qualified Executive Director's generation will be subject to compression. The Company's computer searches that Executive Director's entire downline until it finds a Qualified Executive Director or higher rank. It will then compress the non-qualified generational volume with that of the first qualified downline generation creating a "Compressed Qualified Generation" for payment purposes. This compression process continues through three Qualified Generations, no matter how deep in the genealogy it must search until it has satisfied its payout requirements with qualified generations. The term "Generational Compression" is used to describe the temporary condition that occurs when someone fails to meet their Executive rank maintenance requirements for a particular pay period.

DIRECT: A Stylist that you have personally and directly enrolled (see "Leg").

DOWNLINE: There are two (2) downline organizations:

Enroller Tree Downline: A Stylist's personally enrolled (i.e., E-1) Stylists and their personally enrolled Stylists (E-2) and so on, until the end of the Enroller Tree is reached.

Sponsor Tree Downline: A Stylist's personally sponsored Stylists (and those for which the Stylist is the Placement Sponsor) and their personally sponsored Stylists and so on, until the end of the Sponsor Tree is reached.

ENROLL: To submit a Stylist Application and Agreement online form to Color Street for the purpose of becoming a Stylist for the company.

ENROLLEE: An enrolling or newly enrolled Stylist.

ENROLLER: A Color Street Stylist who explains the program, assists in the enrollment, and provides

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preliminary training to the enrollee. The enroller is the sponsor at the time the new Stylist is entered in the computer. The sponsor may change because of strategic placement or genealogy changes or deletions, but the enroller will not change.

ENROLLER BONUS: When you personally enroll a new Stylist (your “E1”), as the qualified Enroller, you will receive a special 3% Direct Enroller Bonus on any direct Enrollee’s Personal Volume as long as you are Bonus Qualified. When your E1 personally enrolls another Stylist (your “E2”), you may qualify to receive a 3% Indirect Enroller Bonus on that Stylist’s Personal Volume as long as you are Bonus Qualified. *These Enroller Bonuses are for direct and indirect Enrollees only and are not subject to compression.*

FRONT LINE: Refers to all Stylists that are personally sponsored (Level 1) by a particular Stylist or by the Company (*see also “Direct”*).

GENEALOGY: The complete set of relationships (as defined by “Levels” and “Legs”) between a Stylist and their upline and downline. It is the “family tree” of any Stylist.

GENEALOGY REPORT: A computer display, electronic file or printout of your downline.

GENERATION: When a Director in your downline achieves the rank of Executive Director, that new Executive Director leaves your team and starts your Generation 1. Every Stylist in the downline of that “Paid As” Executive Director (or higher rank) is part of your Generation 1 to unlimited depth until reaching another “Paid As” Executive Director or higher rank in that Leg, which will start your second Generation. So, a generation is defined as the relationship between an upline breakaway Executive Director and a downline breakaway Executive Director, not including non-breakaways. The first breakaway in any leg is a first-generation breakaway. Generations are based on paid-as title. For example, an Executive Director who is paid-as demoted to the Senior Director title will not count as a breakaway generation within the current period.

GRACE MONTH: Each month, you have a Paid Rank and a Marketing Rank. Your Paid Rank will always reflect the actual performance of you and your downline for a given commission period. Thus, you are always paid based on actual performance. If your Paid Rank for a given commission period is lower than the prior month, you will receive a Grace Month for your Marketing Rank. For example, if your Paid Rank in January was Director and in February your Paid Rank is Team Leader, you will be paid as a Team Leader but your Marketing Rank will remain Director for that one Grace Month. If in March, your Paid Rank is less than Director then your Marketing Rank will be lowered to match your Paid Rank.

Group Volume (GV): This is also known as GV-Uncapped, and is the sum of the Stylist’s Personal Volume (PV) plus the PV of all Stylists in their Sponsor Tree downline. Group Volume is accumulated monthly and is based on the Sponsor Tree that exists as of the last second of the last day of the monthly commission period (Pacific Time). There are two other types of Group Volume used to calculate monthly commissions:

GV-Lifetime: The sum of the Stylist’s GV-Uncapped from the current month and all prior

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months. GV-Lifetime is accumulated monthly and is not subject to the 50% rule.

GV-Capped: Monthly Group Volume, capped by the 50% rule, where no more than 50% of Capped GV can come from one leg. The monthly rank requirements of Team Leader and above cap the amount of GV that can come from the leg that has the greatest amount of volume.

GV-Capped = The Stylist's PV + the PV from each leg, where the greatest leg is capped at n PV. n = the Stylist's PV + the PV of all legs except the greatest leg.

Example:

Stylist A had \$311.00 PV. The greatest leg had \$44,409.20 PV. The rest of the legs totaled \$19,320.20. Stylist A had \$64,040.40 GV-Uncapped.

$\$311.00 + \$19,320.20 = \$19,631.20$

Therefore, the greatest leg is capped at \$19,631.20.

Stylist A's GV-Capped is $\$19,631.20 + \$19,631.20 = \$39,262.40$

I.D.#: The identification number used by the Company to identify each Stylist for Compensation Plan purposes.

INDIRECT: All Stylists in your Downline that are not directly enrolled by you (*see also "Downline."*)

LEG: Each personally sponsored Stylist on your first level is part of your total Downline and is a separate "Leg." You and your entire Sales Organization (Downline) are one "Leg" to your Placement Sponsor.

LEVEL: The people you personally sponsor are your first level. The ones they sponsor are your second level. The ones your second level sponsors are your third level, etc.

MAINTENANCE: The standard of performance required for a Stylist to continue being "Paid As" a particular rank after meeting the initial qualification requirements for that rank.

PERSONAL Volume (PV): The total retail value (based on SRP) of all products sold by you during a given pay period is your PV for that pay period. Your monthly PV is one factor determining the rate of Enhanced Retail Commissions you are entitled to receive and your Bonus Qualified status.

PLACEMENT SPONSOR: A Stylist who agrees to be responsible for helping and developing another Stylist with her or his business by teaching the new Stylist how to do the business, and by assisting, encouraging and supporting them. Every Stylist must be sponsored, either by another Stylist in good standing with the Company, or by the Company itself. As consideration for being a Placement Sponsor, the Stylist may earn bonuses based on the Personal Volume of Stylists in their downline, to the extent that the Placement Sponsor is qualified. It is important to note that in some other Direct Selling companies, the term "Sponsor" may include the act of introducing prospective new Stylists to the opportunity and helping them sign up as new Stylists. In Color Street, this is called "enrolling." While bonuses may be earned for being a Placement Sponsor of someone who creates

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product sales, no payment is ever made for the mere act of sponsoring or enrolling (*see "Enroll"*), although an Enroller may earn Enroller Bonuses based on the personal volume of her or his Direct Enrollees.

POLICIES & PROCEDURES: The governing rules of Color Street that define the relationship between the Company and its Stylists, as well as between Stylists and other Stylists. The Policies & Procedures are specifically incorporated into and made a part of the Stylist's Agreement, which each Stylist must sign in order to enroll.

PROSPECT: A person to whom you want to offer the Color Street business opportunity.

QUALIFIED LEG: A Qualified Leg contains a Stylist with the designated rank defined in the compensation plan rules (or Bonus Qualified if no rank is specified) that exists somewhere in the depth of the leg.

RANK:

ACHIEVED RANK: The highest Paid Rank a Stylist has achieved in their career. This is not used often but may appear in some reports.

MARKETING RANK: This is the rank that the Stylist may use for marketing purposes and is also the rank the company uses for recognition and at company events. A Stylist's marketing rank is demoted based on their paid rank in recent months. If a Stylist has a paid rank less than their marketing rank for two (2) consecutive months, the Stylist's marketing rank is demoted to the paid rank they obtained in the second consecutive month effective the first of the second consecutive month. See "Grace Month".

"PAID" RANK: The rank at which a Stylist is paid within a monthly commission period is called the Paid Rank. Also see "Grace Month".

REACTIVATIONS: A former Stylist may reactivate their account and become a Stylist once again. The process and reactivation policy depend on when their account was deactivated:

Date of deactivation is less than 6 months ago:

- The Stylist must reactivate with the same enroller and sponsor.
- The Stylist pays a \$25 Reactivation Fee, which will be charged to the card on file.
- Their original Enrollment Date does not change, and reactivated Stylists will not have the opportunity to earn Jump Start Rewards as a new Stylist. On their file, reactivated Stylists will have an original enrollment date and a latest reactivation date.
- To remain active, the Stylist must achieve Bonus Qualified (BQ) with \$300 or more in a calendar month within 3 full months of the reactivation date.
- The reactivated Stylist will not be able to purchase a Starter Kit.
- The reactivated Stylist does not count as a recruit for the enroller and cannot be strategically placed by an upline Team Leader.
- Stylists may only reactivate three times.

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Date of Deactivation is more than 6 months ago:

- The Stylist can rejoin with any enroller/sponsor they choose.
- The Stylist does not pay any reactivation fees.
- The reactivated Stylist must purchase a Starter Kit.
- The reactivated Stylist will receive a new ID number and new Enrollment Date, and is eligible to earn Jump Start Rewards as a new Stylist.
- The reactivated Stylist counts as a recruit for the new enroller, and can be strategically placed by an upline Team Leader.
- To remain active, the Stylist must achieve BQ with \$300 PV in a month within 6 full months of the enrollment date.

RETAIL: Sales of Color Street products to end users of those products. Retail sales are the foundation of your Color Street business, and the ultimate purpose of all other activities within the business, including enrolling, sponsoring, training, etc.

RETAIL COMMISSION: Regardless of your rank, you have the opportunity to sell products and receive a minimum 25% base retail commission on all Color Street products. You may qualify for enhanced retail commissions based on your PV for a given month.

ROLL-UP: The permanent form of Compression. When a Stylist terminates their Stylist Agreement or is deactivated due to not meeting the qualifications, their entire Downline rolls upline to his Placement Sponsor or the next qualified person in the Sponsor Tree and his name is deleted from the Company records.

SALES ORGANIZATION: Your Sales Organization consists of you and the people you directly enroll as Stylists, and the people they enroll as Stylists, and so on, and so on, and so on. There is no limit to how wide or deep your Sales Organization can grow (*see "Downline" and "Leg" and "Level"*).

SPONSORING: Inviting others to join your organization to share the same opportunity. When you sponsor a new Stylist, you are listed as their Enroller and their Sponsor.

STRATEGIC PLACEMENT: Every new Stylist has an Enroller and a Sponsor. When the New Stylist's account is created, the system defaults to the Enroller and the Sponsor being the same person. As a qualified Team Leader or higher rank, you may choose to change the Sponsor of a new Stylist you personally sponsored. That is, within 35 days of the new Stylist's enrollment, you may "place" the sponsorship of your personal enrollees with others in your downline, when it's appropriate. (The new Stylists enrollment date is "day zero" and thus the 35-day placement period matches the new Stylist's first Jump Start goal period). If the prospective Sponsor agrees to accept the responsibilities of that role, you may specify them as the Sponsor of the new Stylist. You will receive the 3% E1 Enroller Bonus. The Placement Sponsor will receive the 3% Level 1 Bonus.

If your Enrollee is not transferred within 35 days, that Enrollee will be positioned permanently as your Level 1. Once permanent placement of your Enrollee has been made under a selected team

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member, you will not be allowed to change this genealogical structure.

STRATEGIC PLACEMENT AND VOLUME: Volumes such as GV-Capped and GV-Lifetime are calculated on a monthly basis and are based on the Sponsor Tree Downline in place on the last second of the last day of the month, Pacific Time. All the PV generated by a Stylist in a month counts for the GV, GV-Capped and GV-Lifetime for whomever is the Placement Sponsor on the last second of the last day of the month, Pacific Time. For example, if Stylist-A joins on June 8 and generates \$1000 in PV during the month of June and is placed on June 29 with a new Placement Sponsor, then ALL of the \$1000 PV generated by Stylist-A in June counts for the new Placement Sponsor and not for the original Enroller.

STYLIST: The generic name for an independent contractor who has submitted a Stylist Application and Agreement form with the Company, and whose Stylist Application and Agreement the Company has accepted. Upon acceptance of such Agreement by the Company, a Stylist is eligible to purchase the Company's products at a wholesale price for resale and can enroll and sponsor other people into their downline retail sales organization. A Stylist is eligible to earn Commissions and Bonuses in accordance with the terms and provisions of the Compensation Plan.

STYLIST STARTER KIT: Sometimes referred to as a Business Kit, this kit contains the product samples, sales aids, brochures, manuals and application forms relative to the Color Street business.

SUGGESTED RETAIL PRICE (SRP): The retail price as suggested by the Company. A Stylist may sell the product or service for whatever price he or she chooses.

TEAM VOLUME (TV): TV applies to Executive Directors and higher, and is also known as Executive Director Team Volume. An ED Team consists of an Executive Director or higher rank Stylist at the top of a sales organization, and every Stylist below that person in that organization, through each Leg, until a qualified, "paid as" Executive Director is reached in that Leg. If no Executive Director is found in a particular Leg, all the Stylists in that Leg and all the sales volume generated by those Stylists, regardless of depth, will be considered part of that original Stylist's ED Team Volume.

TEAM VOLUME BONUS (TVB): If you are a "Paid As" Executive Director or higher rank, you will earn 1.5% Team Volume Bonus (TVB). Your Team Volume is your PV plus the combined PV of all the Stylists in your team (your entire downline, excluding the volume in any downline Executive Generations).

UPLINE: The term "upline" refers to that portion of either your Sponsor genealogy that precedes you. Your upline consists of the Stylist who is your Placement Sponsor, and her Placement Sponsor, and his Placement Sponsor, etc., all the way to the Company (*see also "Placement Sponsor"*).