

# **SendOutCards**

## **STATEMENT OF POLICIES AND PROCEDURES**

*October 2019*

### **SECTION 1 - CORPORATE MISSION STATEMENT**

*Help millions of people act on their promptings, and create a vehicle for financial freedom.*

### **SECTION 2 - INTRODUCTION**

#### **2.1 - Policies and Compensation Plan Incorporated into Affiliate Agreement**

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

#### **2.2 - Purpose of Policies**

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

SendOutCards Affiliates are required to comply with all of the Terms and Conditions set forth in the Agreement which SendOutCards may amend at its sole discretion from time to time, as well as all federal, state, and local laws governing their SendOutCards business (the "Affiliate") and their conduct. Because you may be unfamiliar with many of these standards of practice, it is very important that you read and abide by the Agreement. Please review the information in this manual carefully. It explains and governs the relationship between you, as an independent contractor and the Company. If you have any questions regarding any policy or rule, do not hesitate to seek an answer from anyone in your upline or SendOutCards.

#### **2.3 - Changes to the Agreement**

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

#### **2.4 - Delays**

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

#### **2.5 - Policies and Provisions Severable**

If any provision of the Agreement, in its current form or as may be amended, is found to be invalid, or unenforceable for any reason, only the invalid portion(s) of the provision shall be severed and the remaining terms and provisions shall remain in full force and effect and shall be construed as if such invalid, or unenforceable provision never comprised a part of the Agreement.

#### **2.6 - Waiver**

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

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

## **SECTION 3 - BECOMING AN AFFILIATE**

### **3.1 - Requirements to Become an Affiliate**

To become a SendOutCards Affiliate, each applicant must:

- 3.1.1** - Be at least 18 years of age;
- 3.1.2** - Reside in the United States or U.S. Territories;
- 3.1.3** - Have a valid Social Security, Federal Tax ID number, and submit a US IRS form W-9;
- 3.1.4** - Purchase a SendOutCards Affiliate Kit (not applicable where prohibited by law);
- 3.1.5** - Submit a properly completed and signed Affiliate Application and Agreement or submit an online agreement from the Company's website at [www.sendoutcards.com](http://www.sendoutcards.com); and
- 3.1.6** - Agree to use his or her best efforts to sell and promote SendOutCards and its products and services; and
- 3.1.7** - INTERNATIONAL RESIDENTS – International Residents in countries designated as open for business are welcome to sign up with SendOutCards under the condition that they meet the requirement of section 3.1 of Policies and Procedures and are aware that:
  - 3.1.7.1 All prices and commissions are always stated in US dollars in all SendOutCards materials (unless specifically stated otherwise).
  - 3.1.7.2 You may refer other international residents to signup with SendOutCards as customers or Affiliates ONLY if that country is designated as OPEN for business by SendOutCards.
  - 3.1.7.3 ALL International residents are Affiliates who sign up with SendOutCards AGREE they are signing up under US laws and regulations with SendOutCards accepting and making such sales and contracts in the U.S.
  - 3.1.7.4 All international residents agree to provide two (2) forms of Identification information to SendOutCards to be accepted as Affiliates. Such Identification shall include Citizens ID#, or valid passport#, or valid driver's license number.
  - 3.1.7.5 All international residents agree that to be eligible for commissions, they will file with SendOutCards, a US IRS W-8BEN for claiming exemption from US withholding on commissions and provide a valid email address.
  - 3.1.7.6 Any income taxes required to be reported to or paid to the home country of the Affiliate on commissions paid are wholly the responsibility of the Affiliate receiving such commissions and NOT the responsibility of SendOutCards.
  - 3.1.7.7 All international residents understand some aspect of the commission plan available in the US may not be available nor offered by SendOutCards in every country. Specifically, Fund Raising Kits and activities, booths, and shows are NOT allowed in locations other than the US. In addition, Seminars may be offered on a FREE basis in some countries, and no commissions or compensation will be paid for Attendees.
  - 3.1.7.8 Prices charged to International residents for delivery to international locations may be adjusted for basic products, shipping and handling and to include sales taxes (including VAT, GST, or any other value added tax) as required by local laws for supply of materials based on internet sales and location of supply.
  - 3.1.7.9 If you elect to retail products from your SendOutCards account in your country and engage in retail sales, you are responsible for any Sales or other taxes (GST/HST/VAT/IVA) to be collected and must remit these on your own to your countries tax authorities.

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

### **3.2 - New Affiliate Registration**

A Sponsor or a potential new Affiliate may call the SendOutCards home office during regular business hours to receive an Affiliate Identification Number. A properly completed Affiliate Application and Agreement must be submitted within 30 days from the date of the telephone enrollment. Persons enrolled via telephone enrollment will not be included in the Company genealogy until a signed Affiliate Application and Agreement is received by the company. Applicants who enroll on-line will receive an Affiliate Identification Number immediately and/or e-mailed to them via auto-responder.

### **3.3 - Affiliate Benefits**

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

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

### **3.4 - Renewal of Your SendOutCards Business**

The term of the Affiliate Agreement is one year from the date of its acceptance by SendOutCards. Affiliates must renew their Affiliate Agreement each year by paying an annual renewal fee as determined by the Company on or before the anniversary date of their Affiliate Agreement. If the renewal fee is not paid within 30 days after the expiration of the current term of the Affiliate Agreement, the Affiliate Agreement will be canceled. The Affiliate's account will be placed in non-renewal status. The former Affiliate will be able to continue to use their card sending account and purchase SendOutCards products. The former Affiliate will no longer be eligible to receive payout of any type. The former Affiliate will not have access to their former downline Affiliates or customers. Affiliates may elect to utilize the Automatic Renewal Program ("ARP"). Under the ARP, the renewal fee may be: (a) deducted from the Affiliate's bonus check for the anniversary month of the Affiliate Agreement; or (b) charged to the Affiliate's credit card or checking account. SendOutCards may elect to not renew any Affiliate account for any reason it deems to be in the best interest of the Company, its customers and other Affiliates. Affiliates who fail to renew will be terminated, moved to non-active status, or converted to an appropriate customer account as determined by the company. Once placed in non-active status a former Affiliate may reactivate to Affiliate status by paying the renewal. If the Affiliate account was converted to a customer account the former Affiliate will be required to purchase a new Affiliate program and no restoration of downline or customers will be allowed.

## **SECTION 4 - OPERATING A SENDOUTCARDS BUSINESS**

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

Affiliate must adhere to the terms of the SendOutCards Marketing and Compensation Plan as set forth in official SendOutCards literature. Affiliates shall not offer the SendOutCards opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official SendOutCards literature. Affiliates shall not require or encourage other current or prospective Customers or Affiliates to participate in SendOutCards in any manner that varies from the program as set forth in official SendOutCards literature. Affiliates shall not require or encourage other current or prospective Customers or Affiliates to execute any agreement or contract other than official SendOutCards agreements and contracts in order to become a SendOutCards Affiliate. Similarly, Affiliates shall not require or encourage other current or prospective Customers or Affiliates to make any purchase from, or payment to, any individual or other entity to participate in the SendOutCards Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in official SendOutCards literature. This includes, but is not limited to, incentives and promotional offers not sanctioned in writing by SendOutCards.

### **4.2 - Advertising**

#### **4.2.1 - General**

All Affiliates shall safeguard and promote the good reputation of SendOutCards and its products. The marketing and promotion of SendOutCards, the SendOutCards opportunity, the Marketing and Compensation Plan, and SendOutCards products and services shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. If an Affiliate wishes to utilize any of the Company's products or services to promote the sale of the Company's products or services, or to promote the SendOutCards business model, the Affiliate must

utilize one of the marketing and advertising text messages approved by the Company. If an Affiliate wishes to create their own advertising material, he or she must submit all written sales aids, promotional materials, advertisements, and other literature (including proposed Internet advertising) to the Company for approval. Unless the Affiliate receives specific written approval, with a valid approval number, to use the material, the request shall be deemed denied. Approval is automatically discontinued if there is any alteration of any kind to an approved item.

#### **4.2.2 – SendOutCards Logos, Imagery and Text**

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

#### **4.2.3 - Affiliate Web Sites**

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

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

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

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

#### **4.2.4 - Domain Names**

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

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

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

#### **4.2.5 - Trademarks and Copyrights**

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

#### **4.2.6 - Media and Media Inquiries**

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

#### **4.2.7 - Spamming and Unsolicited Faxes**

Except as provided in this section, Affiliates may not use or transmit unsolicited faxes, mass e-mail distribution, unsolicited e-mail, or “spamming” or use an automatic telephone dialing system relative to the operation of their Affiliate agreement. The term “automatic telephone dialing system” means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers. The terms “unsolicited faxes” and “unsolicited e-mail” mean the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting SendOutCards, its products, its compensation plan or any other aspect of the company which is transmitted to any person.

SendOutCards has a zero tolerance policy in regards to sending unsolicited (email/fax/pages/news) messages. The sending of unsolicited messages will result in the -IMMEDIATE- suspension of your SendOutCards Affiliate agreement and account, and possibly legal action. If the Affiliate cannot prove opt-in then the Affiliate agreement will be terminated. If an Affiliate agreement is terminated for this reason no refunds or credits will be given, and in accordance with the above policy fees will be applied to the credit card on file. Messages sent by a SendOutCards Affiliate requires adherence to all of the following policies:

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

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

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

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

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

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

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

#### **4.2.8 Use of Social Media**

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

#### **Social Media Use**

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

#### **Affiliates Are Responsible for Postings**

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

#### **Identification as an Independent SendOutCards Affiliate**

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

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

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

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

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

### **Use of SendOutCards Logo**

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

### **Deceptive Postings**

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

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

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

### **Respecting Privacy**

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

### **Professionalism**

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

### **Prohibited Postings**

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

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

### **Responding to Negative Posts**

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

### **Cancellation of Your SendOutCards Business**

If your Affiliate agreement is cancelled for any reason, you must discontinue using the SendOutCards name, and all of SendOutCards' trademarks, trade names, service marks, and other intellectual property, and all derivatives of such marks and

intellectual property, in any postings and all Social Media sites that you utilize. If you post on any Social Media site on which you have previously identified yourself as an Independent SendOutCards Affiliate, you must conspicuously disclose that you are no longer an Independent SendOutCards Affiliate.

### **4.3 - Bonus Buying Prohibited**

Bonus buying is strictly and absolutely prohibited. “Bonus buying” includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Independent Affiliate Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as an Affiliate or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Affiliates or Customers (“phantoms”); (d) the use of a credit card by or on behalf of an Affiliate or Customer when the Affiliate or Customer is not the account holder of such credit card; (e) Purchasing SendOutCards merchandise or services on behalf of another Affiliate or Customer, or under another Affiliate’s or Customer’s I.D. number, to qualify for commissions or bonuses; (f) Enrollment of a customer in order to receive the bonuses with the intent of converting the customer to an Affiliate after the bonus has been paid.

### **4.4 - Business Entities**

A corporation, partnership or trust (collectively referred to in this section as a “Business Entity”) may apply to be a SendOutCards Affiliate by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the “Entity Documents”) to SendOutCards, along with a properly completed Business Entity Registration form. An Affiliate may change its status under the same sponsor from an individual to a partnership, corporation or trust, or from one type of entity to another. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Affiliate Application and Agreement. The Business Entity Registration form must be signed by all of the shareholders, partners or trustees. Members of the entity are jointly and severally liable for any indebtedness or other obligation to SendOutCards.

### **4.5 - Changes to a SendOutCards Business**

#### **4.5.1 - General**

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

#### **4.5.2 - Addition of Co-Applicants**

When adding a co-applicant (either an individual or a business entity) to an existing Affiliate agreement, the Company requires both a written request as well as a properly completed Affiliate Application and Agreement containing the applicant and co-applicant’s Social Security Numbers and signatures. To prevent the circumvention of Section 4.26 (regarding transfers and assignments of Affiliate agreement), the original applicant must remain as a party to the original Affiliate Application and Agreement. If the original Affiliate wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with Section 4.26. If this process is not followed, the business shall be canceled upon the withdrawal of the original Affiliates. All bonus and commission checks will be sent to the address of record of the original Affiliate. Please note that the modifications permitted within the scope of this paragraph *do not* include a change of sponsorship. Changes of sponsorship are addressed in Section 4.5.3, below. SendOutCards may, at its discretion, require notarized documents before implementing any changes to an Affiliate agreement. Please allow thirty (30) days after the receipt of the request by SendOutCards for processing.

#### **4.5.3 - Change of Sponsor**

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

#### **4.5.4 – Affiliate and Customer Move Requests**

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

### **4.6 - Unauthorized Claims and Actions**

#### **4.6.1 - Indemnification**

An Affiliate is fully responsible for all of his or her verbal and written statements made regarding SendOutCards products, services, and the Marketing and Compensation Plan which are not expressly contained in official SendOutCards materials. Affiliates agree to indemnify SendOutCards and SendOutCards' directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by SendOutCards as a result of the Affiliate's unauthorized representations or actions. This provision shall survive the termination of the Affiliate Agreement.

#### **4.6.2 - Income Claims**

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

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

#### **4.7 - Commercial Outlets**

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

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

Affiliates may display and/or sell SendOutCards products at trade shows and professional expositions. Before submitting a deposit to the event promoter, Affiliates are encouraged to verify that no other SendOutCards Affiliate will be present at the event. SendOutCards recommends that there should be only one Affiliate present per event. Any Affiliate registering to attend an event is requested to email Customer Support the event information. A list of Affiliates attending events will be kept by SendOutCards for reference purposes. Trade shows, expositions and other sales forums are not permitted outside the United States.

#### **4.9 - Conflicts of Interest**

##### **4.9.1 - Non-solicitation**

If an Affiliate did not personally sponsor another Affiliate in his or her Downline, he or she is prohibited, during the term of the Agreement and for one (1) year following the date of termination of the Agreement, from Recruiting, Attempting to Recruit, or prospecting any SendOutCards Affiliate or Customer to sell or purchase products or services other than those offered by SendOutCards. Each Affiliate stipulates and agrees that Recruiting constitutes an unreasonable and unwarranted interference with the contractual relationship between the Company and its Affiliates, conversion of the Company's property, and misappropriation of the Company's trade secrets. Each Affiliate further stipulates and agrees that any violation of this rule will inflict immediate and irreparable harm on the Company, and that the Company shall be entitled, in addition to any other remedies that may be available, to immediate, temporary, preliminary, and permanent injunctive relief without bond; and that such injunctive relief may extend the post-termination period of this restriction for up to one (1) year from the date of the last violation of this provision and is limited to the geographic areas in which you conducted or solicited business under the Agreement. The provisions of this Section survive the termination of the Agreement. Nothing herein waives any other rights and remedies the Company may have in relation to the use of its Confidential Information or any other violations of the Contract.

Notwithstanding anything to the contrary contained herein, in the event an Affiliates transfers or otherwise conveys his or her Affiliate agreement to an individual who shares ties of blood, marriage, or adoption, or anyone who has consented to an



arrangement similar to ties of blood or marriage, or to an entity owned by any of the same, the conveying Affiliate shall be subject provisions of this Section 4.9.1 for a period of three (3) years from the date of such conveyance.

Each Affiliate agrees that appearing in, being referenced in, or allowing the Affiliate's name or likeness to be featured or referenced in any promotional, recruiting or solicitation materials for another direct selling company constitutes Recruiting.

Any promotion of, or recruiting to, any competing products or services by an Affiliate is cause for termination. The Affiliate's account will immediately be suspended under section 9.1 Disciplinary Sanctions. In addition to suspension termination procedures will also be started under the same section.

#### **4.9.2 - Confidentiality**

Downline Reports are available for Affiliate access and viewing at SendOutCards' official web site. Affiliate access to their Downline Activity Reports is password protected. **All Downline Reports and the information contained therein are herein referred to as "Confidential Information" and constitute proprietary information and business trade secrets belonging to SendOutCards.**

Upon signing an Affiliate Agreement and the Agreement, the Affiliate agrees to maintain confidentiality regarding Confidential Information and any other trade secrets and proprietary information. This confidentiality obligation is irrevocable and permanent, remains after termination of the Agreement, and is subject to legal enforcement by injunction and award of costs and fees necessarily incurred. All Confidential Information is transmitted to, or allowed to be gathered by, Affiliates in strictest confidence on a need-to-know basis for use solely for the Affiliate's Affiliate agreement. Affiliates must use their best efforts to keep such information confidential and must not disclose any such information to any third party, directly or indirectly.

Downline Reports are provided to Affiliates in strictest confidence and are made available to Affiliates for the sole purpose of assisting Affiliates in working with their respective Downline Organizations in the development of their Affiliate agreement. Affiliates should use their Downline Reports to assist, motivate, and train their downline Affiliates. The Affiliate and SendOutCards agree that, but for this agreement of confidentiality and nondisclosure, SendOutCards would not provide Downline Reports to the Affiliate. Affiliates must not use the Confidential Information or any information derived therefrom to compete with the Company or for any purpose other than for promoting the Company's program and its products and services. The Affiliate maintains no ownership interest in any Confidential Information or any information derived therefrom, including contact and profile information of Downline Leg, or other Affiliate contact information gathered in connection with the Affiliate's Affiliates agreement, and may not sell, disseminate, or provide it to any other party. The Affiliate acknowledges and agrees that the Confidential Information received by the Affiliate relating to the profiles and reports of Downline Leg or other Affiliate Information gathered in connection with the Affiliate Business, including any information derived therefrom, constitutes the Company's trade secrets.

The Affiliate may acquire Confidential Information during the term hereof, for example, from the sale of Affiliate tools or merchandise to the Company's Affiliates, including those who are crossline to the Affiliate. Accordingly, regardless of the source of the Confidential Information, the Affiliate, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity, agrees:

**4.9.2.1** - the Confidential Information is for the exclusive and limited use of the Affiliate to facilitate the training, support and servicing of the Affiliate's Downline Organization for furtherance of the Affiliate's Affiliate agreement only;

**4.9.2.2** - he or she will not disclose the Confidential Information to a third party directly or indirectly (including other Affiliates) and that doing so constitutes misuse, misappropriation, and a violation of the Agreement;

**4.9.2.3** - the information is of such character as to render it unique and that disclosure of it will cause irreparable damage to the Company; the Company is therefore entitled to immediate, temporary, preliminary, and permanent injunctive relief, in addition to all other remedies available in law or equity, to prevent or compensate for any violation of this policy;

**4.9.2.4** - Recruit or solicit any Affiliate or Customer of SendOutCards listed on any report, or in any manner attempt to influence or induce any Affiliate or Preferred Customer of SendOutCards, to alter their business relationship with SendOutCards;

**4.9.2.5** - he or she will not use the information to compete with the Company directly or indirectly and improper use will result in termination of the Agreement;

**4.9.2.6** - he or she may be required to sign a non-disclosure agreement before receiving Confidential Information from the Company, or prior to engaging in activities that would allow the Affiliate to acquire Confidential Information; and

**4.9.2.7** - upon expiration, non-renewal or termination of the Agreement, he or she will discontinue the use of such Confidential Information and destroy or promptly return to the Company all Confidential Information under the control of or in his or her possession.

#### **4.9.3 – Detrimental Conduct**

If any conduct by an Affiliate or any participant in the Affiliate agreement is determined by the Company to be injurious, disruptive, or harmful to the Company or to other Affiliates, the Company may take appropriate action against an Affiliate and the Affiliate agreement as set forth in Section 9.

#### **4.10 - Cross-Sponsoring**

Actual or attempted cross sponsoring is strictly prohibited. “Cross sponsoring” is defined as the enrollment of an individual who or entity that already has a current Customer or Affiliate Agreement on file with SendOutCards, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse’s or relative’s name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited. Affiliates shall not demean, discredit or defame other SendOutCards Affiliates in an attempt to entice another Affiliate to become part of the first Affiliate’s marketing organization. This policy shall not prohibit the transfer of an Affiliate agreement in accordance with Section 4.25.

#### **4.11 - Errors or Questions**

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

#### **4.12 - Excess Inventory Purchases Prohibited**

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

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

#### **4.13 - Governmental Approval or Endorsement**

Neither federal nor state regulatory agencies or officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Affiliates shall not represent or imply that SendOutCards or its Marketing and Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

#### **4.15 - Identification**

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

#### **4.16 - Income Taxes**

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

#### **4.17 - Independent Contractor Status**

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

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

Affiliate's Name  
Independent SendOutCards Affiliate

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

#### **4.19 - International Marketing**

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

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

#### **4.20 - Adherence to Laws and Ordinances**

##### **4.20.1 - Local Ordinances**

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

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

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

#### **4.21 - Multiple SendOutCards Business Interests**

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

- 4.21.1** The Secondary SOC Business must be enrolled and sponsored by the Primary SOC Business and placed on the immediate front line of the Primary SOC Business;
- 4.21.2** The non-SendOutCards business must be owned or operated by the Affiliate who owns the Primary SOC Business or an Immediate Household Family Member of the Primary SOC Business owner;
- 4.21.3** SendOutCards reserves the right to cancel the Affiliate Agreement of any Secondary SOC Business which does not have the principal purpose of providing non-SendOutCards goods or services to customers or clients;
- 4.21.4** The non-SendOutCards business must have:
  - 4.21.4.1** its own Federal Tax Identification Number and use that TIN on its SendOutCards Application and Agreement;
  - 4.21.4.2** an address that is separate from the Primary SOC Business address;
  - 4.21.4.3** Payment must be via a credit card registered to the non-SendOutCards business;
- 4.21.5** Under no circumstances may an Affiliate operate or hold an interest in more than two SOC businesses (the Primary and Secondary SOC Businesses). There may be no more than two SendOutCards businesses per Immediate

Household. An “Immediate Household” includes spouses, cohabitating couples, children and relatives residing in the same dwelling. Also included in the Immediate Household are students attending boarding school or college that reside at school or college during the school year, but within the dwelling of their parents or other relatives during non-school periods. Persons such as roommates and tenants who are unrelated shall not fall within the definition of an “Immediate Household” and may each have their own SendOutCards independent business. If an Affiliate owns or operates Primary and Secondary SOC Businesses, those two businesses constitute the maximum number of businesses that may be held within the Household, even though the Secondary SOC Business operates from a separate address from the Primary SOC Business.

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

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

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

If any member of an Affiliate’s immediate household engages in any activity, which, if performed by the Affiliate, would violate any provision of the Agreement, such activity will be deemed a violation by the Affiliate and SendOutCards may take disciplinary action pursuant to the Statement of Policies against the Affiliate. Similarly, if any individual associated in any way with a corporation, partnership, trust or other entity (collectively “affiliated individual”) violates the Agreement, such action(s) will be deemed a violation by the entity, and SendOutCards may take disciplinary action against the entity.

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

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

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

When a vacancy occurs in a Marketing Organization due to the termination of an Affiliate agreement, each Affiliate in the first level immediately below the terminated Affiliate on the date of the cancellation will be moved to the first level (“front line”) of the terminated Affiliate’s sponsor.

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

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

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

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

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

#### **4.26 - Separation of a SendOutCards Business**

SendOutCards Affiliates sometimes operate their Affiliate account as husband-wife partnerships, regular partnerships, corporations, or trusts. At such time as a marriage may end in divorce or a corporation, partnership or trust (the latter three entities are collectively referred to herein as “entities”) may dissolve, arrangements must be made to assure that any separation or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other Affiliates and the Company, SendOutCards will involuntarily terminate the Affiliate Agreement and roll-up their entire organization pursuant to Section 4.25.

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

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

Under no circumstances will the Downline Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will SendOutCards split commission and bonus checks between divorcing spouses or members of dissolving entities. SendOutCards will recognize only one Downline Organization and will issue only one commission check per Affiliate account per commission cycle. Commission checks shall always be issued to the same individual or entity. In the event that parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the business, the Affiliate Agreement shall be involuntarily canceled.

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

#### **4.27 - Sponsoring**

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

#### **4.28 - Stacking**

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

#### **4.29 - Succession**

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

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

#### **4.30 - Transfer Upon Death of an Affiliate**

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

#### **4.31 - Transfer Upon Incapacitation of an Affiliate**

To affect a transfer of an Affiliate account because of incapacity, the successor must provide the following to SendOutCards: (1) a notarized copy of an appointment as trustee; (2) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the Affiliate account; and (3) a completed Affiliate Agreement executed by the trustee.

#### **4.32 – Prohibited Material Handling**

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

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

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

### **SECTION 5 - RESPONSIBILITIES OF AFFILIATES**

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

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

#### **5.2 - Continuing Development Obligations**

##### **5.2.1 - Ongoing Training**

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

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

##### **5.2.2 - Increased Training Responsibilities**

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

##### **5.2.3 – Email Broadcasting Options**

SendOutCards, as part of the Business Office system, as a company and individual Affiliates may send email broadcasts to their downline. An Affiliate may opt out of receiving email broadcasts from the company, their upline, or both at the time of

signup, when receiving broadcast emails, or by contacting Customer Support. Email broadcasts are a good way of staying in contact and current on company information.

### **5.3 – Non-disparagement**

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

## **SECTION 6 - SALES REQUIREMENTS**

### **6.1 - Product Sales**

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

### **6.2 - No Territory Restrictions**

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

### **6.3 - Order Forms**

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

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

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

### **6.4 Point Expiration**

Points are used in a first in, first out basis. Any non-subscription points, and points purchased before May 23, 2011 are subject to a maintenance fee. If at any time your account does not show any purchase activity for a period of 18 consecutive months, your account will be deemed as inactive and charged a maintenance fee equivalent to \$5.58 per month. This fee covers the cost of image and data storage, any needed hardware, and costs associated with administration of the account. This fee may change based on any increased costs incurred by the company. The maintenance fee will be charged by first applying to outstanding non-bonus points, with a conversion rate of \$0.186 per point (includes volume commission payouts) for the purpose of applying the fee, and second by deducting the amount from the expense account. Thirty (30) days following the depletion of all available funds from your account, SendOutCards reserves the right to cancel account and remove all images, data and card history from our system.

### **6.5 Subscription Point Expiration**

The purchase of a subscription with SendOutCards gives you access to all products offered by SendOutCards and includes, but is not limited to the following system features: Card Catalog, Card Editor, Templates, Elements, QR Code Generator, Contact Manager, Campaigns, Photo Store Products, Picture Storage, Access to Training Videos, and Customer Support (phone, email and chat). Bonus points will be awarded each month with the purchase/renewal of subscriptions and unused bonus points will roll over for eighteen (18) months. On the last day of the eighteenth (18<sup>th</sup>) month any unused bonus points will be deducted from your total point balance. If the account is kept active by purchasing products in a twelve (12) month time period then the points will not be expired until twelve (12) full months of inactivity have passed.

### **6.6 Non-Purchased Point Expiration**

By way of promotion or courtesy, SendOutCards may add points to any card sending account for free. Any points added to an account free of cost will not carry any volume and will expire on the last day of between the second (2nd) and eighteenth (18th) months from the date they were added to the account. Expiration date will be stated to account holder at time the points are added to the account. If no expiration date is stated then the expiration will take place at the end of the eighteenth (18th) month.

## **SECTION 7 - BONUSES AND COMMISSIONS**

### **7.1 - Bonus and Commission Qualifications**

An Affiliate must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as an Affiliate complies with the terms of the Agreement, SendOutCards shall pay commissions to such Affiliate in accordance with the Marketing and Compensation plan. The minimum amount for which SendOutCards will issue a check is \$50.00. If an Affiliate's bonuses and commissions do not equal or exceed \$50.00 the Company will accrue the commissions and bonuses until they total \$50.00. A check will be issued once \$50.00 has been accrued.

### **7.2 - Adjustment to Bonuses and Commissions**

Affiliates receive bonuses and commissions based on the actual sales of products and services to end consumers. When a product is returned to SendOutCards for a refund or is repurchased by the Company, the bonuses and commissions attributable to the returned or repurchased product(s) will be deducted, in the month in which the refund is given, and continuing every pay period thereafter until the commission is recovered, from the Affiliates who received bonuses and commissions on the sales of the refunded products.

### **7.3 - Reports**

All information provided by SendOutCards in online or telephonic downline activity reports, including but not limited to personal and group sales volume (or any part thereof), and downline sponsoring activity is believed to be accurate and reliable. Nevertheless, due to various factors including the inherent possibility of human and mechanical error; the accuracy, completeness, and timeliness of orders; denial of credit card and electronic check payments; returned products; credit card and electronic check charge-backs; the information is not guaranteed by SendOutCards or any persons creating or transmitting the information.

ALL PERSONAL AND GROUP SALES VOLUME INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESS OR IMPLIED, OR REPRESENTATIONS OF ANY KIND WHATSOEVER. IN PARTICULAR BUT WITHOUT LIMITATION THERE SHALL BE NO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, OR NONINFRINGEMENT.

TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, SendOutCards AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY Affiliate OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF OR ACCESS TO PERSONAL AND GROUP SALES VOLUME INFORMATION (INCLUDING BUT NOT LIMITED TO LOST PROFITS, BONUSES, OR COMMISSIONS, LOSS OF OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF SendOutCards OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. TO THE FULLEST EXTENT PERMITTED BY LAW, SendOutCards OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE NO RESPONSIBILITY OR LIABILITY TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY OR OTHER THEORY WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO.

Access to and use of SendOutCards' online and telephone reporting services and your reliance upon such information is at your own risk. All such information is provided to you "as is". If you are dissatisfied with the accuracy or quality of the information, your sole and exclusive remedy is to discontinue use of and access to SendOutCards' online and telephone reporting services and your reliance upon the information.

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

### **8.1 - Product Guarantee**

Retail Customers may cancel their order within three business days from the date of purchase. See the cancellation policy on the Order Form. Preferred Customers may cancel their initial order within five business days from the date of purchase. Cancellation may be extended as required by the laws of a state or country, in which case the cancellation may occur in



accordance with the applicable law. Cancellation of subsequent purchases may be made within the month they are made in accordance with section 8.2. Some purchases may not be refundable.

## **8.2 - Return of Inventory and Sales Aids by Affiliates**

Upon cancellation of an Affiliate's Agreement, the Affiliate may return non-customized and/or card inventory, points, and sales aids to the company for a refund if he or she is unable to sell or use the cards. An Affiliate may only return products and tangible sales aids purchased by him or her that are in resalable condition (no refunds for costs associated with Affiliate websites). Upon receipt of the products and sales aids, the Affiliate will be reimbursed 90% of the net cost of the original purchase price(s), less shipping charges. If the purchases were made through a credit card, the refund will be credited back to the same account. *The Company shall deduct from the reimbursement paid to the Affiliate any commissions, bonuses, rebates or other remuneration received by the Affiliate which were associated with any inventory that is returned.* For purposes of this paragraph physical Affiliate Kits are not considered Sales Aids, but are educational documents designed to train Affiliates regarding SendOutCards policies and procedures and compensation system. Sales Aids are products that are exclusively designed to aid the Affiliate in presenting SendOutCards retail products.

### **8.2.1 - Montana Residents**

A Montana resident may cancel his or her Affiliate Agreement within 15 days from the date of enrollment, and may return his or her starter kit for a full refund within such time period.

### **8.3 - Procedures for Returns**

All returns shall be sent to the Company along with a copy of the packing slip included with the products. If banked cards or points are returned, the Customer must submit a written request, including his/her Affiliate ID number, to the company and specifically identify how much of the banked inventory the Affiliate wishes to return. All refunds will be reimbursed at 90% of the net cost of the original purchase price. The company shall deduct from the reimbursement paid to the Affiliate any commission, bonuses, rebates or other remuneration received by the Affiliate which were associated with any inventory that is returned. Payouts made to upline Affiliate will be clawed back from the upline Affiliate's earnings. Points acquired through subscriptions are not eligible for refunds as these points are gifted as part of the subscription and not purchased.

### **8.4 – Rights of Cancellation (Cooling-Off Period)**

Where a cooling-off period is required, the Consumer will be entitled to cancel the agreement at any time up to ten days (or as required by law) from the date of placing the order of signing the agreement. In the event of cancellation during the cooling-off period the Consumer will be entitled to a refund of all monies paid in respect of that sale or agreement upon return of the product in satisfactory condition.

## **SECTION 9 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS**

### **9.1 - Disciplinary Sanctions**

The Company's obligations to an Affiliate are conditioned upon the Affiliate's faithful performance of the terms and conditions of the Agreement. The Company, in its sole discretion, will determine if an Affiliate is in breach of the Agreement and may elect any or all available remedies. In the event of breach, the Company may elect to take no action or to exercise some or all contractual remedies and remedies at law or in equity, including, but not limited to:

- 9.1.1** - Issue a written warning or admonition;
- 9.1.2** - Notify the Affiliate either in writing or verbally of the breach and providing a notice to cure the breach;
- 9.1.3** - Require from the Affiliate additional assurances of future compliance;
- 9.1.3** - Assess damages, which may be withheld from bonus and commission checks;
- 9.1.4** - Loss of rights to one or more recognition, attendant perk, bonus, or commission checks;
- 9.1.5** - SendOutCards may withhold from an Affiliate all or part of the Affiliate's bonuses and commissions during the period that SendOutCards is investigating any conduct allegedly in violation of the Agreement. If an Affiliate's business is canceled for disciplinary reasons, the Affiliate will not be entitled to recover any commissions withheld during the investigation period;
- 9.1.6** - Suspend Affiliate Rights temporarily or permanently;
- 9.1.7** - Involuntary termination of the offender's Affiliate Agreement;
- 9.1.8** - Any other measure expressly allowed within any provision of the Agreement or which SendOutCards deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Affiliate's policy violation or contractual breach;
- 9.1.9** - In situations deemed appropriate by SendOutCards, the Company may institute legal proceedings for monetary damages and costs and/or equitable or injunctive relief.

The above disciplinary measures are not sequential; the Company may take any of the measures listed in any order. For example (and not by way of limitation), the Company may suspend an Affiliate's agreement before requiring the Affiliate to take immediate corrective measures.

The Agreement is designed to protect Affiliates and the Company from the adverse consequences of their violation. Affiliates who intentionally circumvent the Agreement to accomplish indirectly what is prohibited directly will be disciplined as if the applicable policy or rule had been broken directly. In such circumstances, all of the available remedies as stated above will be available to the Company. The Agreement is not intended to give an Affiliate the right to enforce the Agreement against another Affiliate directly, or to take any legal action against another Affiliate.

## **9.2 – Reporting Agreement Breaches**

If an Affiliate observes or is aware of another Affiliate's violation of any term or condition of the Agreement, the observing Affiliate shall submit a written complaint to the Company on the applicable form provided by such department. Because of the difficulties of investigating and asserting appropriate remedies for stale claims, any complaint for breach of the terms and conditions of the Agreement other than Recruiting must be brought to the Company's attention for review within eighteen (18) months of the start of the alleged violation; Recruiting violations must be brought to the Company's attention within six (6) months of the alleged violation. Failure to report a violation within that time period may result in the Company not pursuing the allegations in order to prevent the Affiliate Business from being disrupted due to stale claims. However, this policy does not waive the Company's right to investigate and discipline Affiliate found guilty of the stale claims.

## **9.3 - Grievances and Complaints**

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

## **9.4 - Governing Law, Arbitration, Injunctive Relief**

The State of Utah is the place of the origin of this Agreement and is where the Company accepted the offer of the Applicant to become an Affiliate and where the Affiliate entered into the Agreement with the Company. The Agreement is therefore to be construed in accordance with the laws of the State of Utah (without giving effect to any conflict of law provision or rule) as to contracts made and to be wholly performed within the State. Any controversy or claim arising out of or relating to the Agreement or the breach thereof, or any controversy or claim relating to the business relationships arising between Affiliates shall be resolved by mandatory, final, binding, non-appealable arbitration in Salt Lake City, Utah, United States of America. There shall be one arbitrator, who shall be impartial, independent, and mutually agreed upon by the parties to the arbitration within seven (7) days following receipt of the written notice for demand for arbitration. If the parties do not reach agreement on a single arbitrator within such seven (7) day period, the parties agree that the arbitration shall be administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules (except that there shall only be one arbitrator) and shall be governed by Utah state law, including, but not limited to, the rules pertaining to the discovery process as found in the Utah Rules of Civil Procedure. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof and enforcement of the judgment shall be governed by Utah state law. The parties shall equally share the assessed costs associated with the arbitration, including all arbitrator fees. If one party fails to pay its assessed costs, and such failure prevents the timely appointment of an arbitrator or delays ongoing arbitration proceedings, the other party may seek provisional remedies under the Utah Uniform Arbitration Act, Utah Code Section 78B-11-109, to compel the non-paying party to comply with its payment obligations. Such provisional remedies may be sought in the courts of the State of Utah, Utah County, as the exclusive and sole jurisdiction and venue for such provisional actions, and each party hereby consents to personal jurisdiction and proper venue in those courts for such actions. The failure to pay assessed costs under this Section, and any resulting costs, expenses, or damages resulting from the other party being required to seek provisional relief, shall become an additional claim of the injured party in the underlying arbitration. The parties, AAA, and the arbitrator shall maintain the confidentiality of the entire arbitration process and may not disclose to any other person not directly involved in the arbitration process: (i) the substance of, or basis for, the controversy, dispute, or claim; (ii) the content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery in the arbitration; or (iii) the terms or amount of any arbitration award. AAA and the arbitrator shall have the authority to make appropriate rulings to safeguard confidentiality, unless the law provides to the contrary. The parties agree that before or after a demand for arbitration is made that a party (in addition to any other remedies which it may have and which are hereby exclusively reserved) is entitled to preserve its rights under the Agreement by seeking interim injunctive relief (a temporary restraining order, preliminary injunction and all other forms of interim relief available to the party filing the action) without a bond, and that the only venue for any suit shall be in the state courts located in Utah County, Utah or, at the sole discretion of the Company, in the federal court located in Salt Lake City, Utah. The parties agree that such suit filed with the court: (a) is not a

waiver of the rights of the party who filed the suit to proceed with any demand for arbitration it previously filed, and (b) will not in any way affect the rights of the party filing the suit to thereafter demand arbitration once the interim relief is obtained. The parties expressly waive any objections to personal jurisdiction or venue of such courts and to the arbitration being conducted in Salt Lake City, Utah, United States of America. The Affiliate and the Company waive their right to commence, be a party to or class member of, a collective action in any court action against the other party or relating to the Agreement. Further, the Company and Affiliate waive their right to commence or be a party to any group, class or collective action claim in arbitration or any other forum. The parties agree that any claim by or against Affiliate or the Company shall be heard without consolidation of such claim with any other Person or entity's claim.

#### **9.4.1 – Leading by Example**

It is important that leaders lead by example. Therefore, SendOutCards Affiliates are free to participate in other sales or marketing opportunities that utilize a multilevel compensation structure and/or a network marketing sales approach (collectively “Network Marketing”). However, any SendOutCards Affiliate who has achieved the rank Executive or above who operates or attempts to operate another Network Marketing business will not be eligible to earn Executive Generation and Leadership bonuses (the maximum Generation and Leadership bonuses for which an Affiliate at the Executive Rank or higher could qualify is compensation at the Senior Manager rank). An Affiliate is “operating” another Network Marketing business if he/she has directly or indirectly engaged in any activity related to such other Network Marketing program after achieving the Executive rank or higher, with the exception of: (a) collecting commissions or bonuses for work that was performed prior to the time that the Affiliate attained the rank of Executive or higher with SendOutCards; and/or (b) purchasing merchandise or services from such other Network Marketing company for personal and/or immediate household family use. SendOutCards will verify the participation of the Affiliate in another Network Marketing program prior to enforcing this section of the agreement. SendOutCards may verify such participation by way of any physical evidence that the Affiliate is participating in the other Network Marketing program. Examples of such evidence would include, but not limited to, the Affiliate holding themselves out as a representative of the Network Marketing company's products by use of advertisements bearing the Affiliate's name and contact information, or image. Any evidence that demonstrates that the Affiliate is actively involved in selling the Network Marketing companies products will be sufficient evidence to prove the Affiliates participation in the Network Marketing company. Reports from other Affiliates of an Affiliate's participation in another Network Marketing company will be validated prior to any action being taken. The admission of an Affiliate that they are participating in another Network Marketing company is also sufficient evidence to enforce this section.

### **SECTION 10 - ORDERING**

#### **10.1 - Purchasing SendOutCards Products**

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

#### **10.2 - General Order Policies**

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

#### **10.3 - Annual Accounts**

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

### **SECTION 11 - PAYMENT AND SHIPPING**

#### **11.1 – Electronic Check Payments**

Any Affiliate making payment by electronic check (“eCheck”) will be required to verify their ownership of the checking account by contacting SendOutCards support department and providing the checking information or filling out and submitting an eCheck authorization form. SendOutCards will make a deposit to the checking account which the Affiliate will be required to verify prior to the initial use of eCheck for enrollment purposes. Affiliates may also enroll using a credit card and then establish ongoing orders for product purchases using their checking account information. All Affiliate checking accounts will be considered business accounts under NACHA rules and will be flagged as a business account even if the checking account is an Affiliate's individual account. All Affiliates agree and accept that any eCheck processing will be conducted under the NACHA rules that apply to business accounts.

### **11.2 - Insufficient Funds**

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

### **11.3 - Returned Checks**

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

### **11.4 – Autoship or Subscription Cancellation and Disabling By SendOutCards**

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

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

### **11.5 - Sales Taxes**

SendOutCards will collect and remit sales taxes on behalf of Affiliates according to applicable tax rates in the state to which the shipment is destined based on the zip code. If an Affiliate has submitted, and SendOutCards has accepted, a current Sales Tax Exemption Certificate and Sales Tax Registration License, sales taxes will not be added to the invoice and the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be on the Affiliate. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by SendOutCards is not retroactive. SendOutCards will collect and remit GST and VAT as required by the laws of any countries which are open for Affiliates and which SendOutCards has a taxable presence in the country.

## **SECTION 12 - INACTIVITY AND CANCELLATION**

### **12.1 - Effect of Cancellation**

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

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

### **12.2 - Involuntary Cancellation**

An Affiliate's violation of any of the terms of the Agreement, including any amendments that may be made by SendOutCards in its sole discretion, may result in any of the sanctions listed in Section 9.1, including the involuntary cancellation of his or

her Affiliate Agreement. Cancellation shall be effective on the date on which written notice is mailed, faxed, emailed, or delivered to an express courier, to the Affiliate's last known address (email address or fax number), or to his/her attorney, or when the Affiliate receives actual notice of cancellation, whichever occurs first.

### **12.3 - Voluntary Cancellation**

A participant in this network marketing plan has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the Affiliate's signature, printed name, address, and Affiliate I.D. Number. The Affiliate may request the cancellation form by contacting the Customer Service department. The canceling Affiliate may return their Affiliate kit in reusable condition prior to the end of 12 months from date of purchase for a refund of the purchase price. If the Annual Renewal date has passed and the canceling Affiliate has paid their renewal fee they may request a refund of the renewal fee.

### **12.4 - Non-renewal**

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

### **12.5 Account Conversion to Customer for Non-Renewal**

Any Affiliate who fails to pay the renewal fee on their account for 60 days past the renewal date will be marked as Non-Renewal ("NR") in SendOutCards system. Once an account has been marked NR in SendOutCards system the Affiliate will no longer be considered Active and will no longer receive commissions and bonuses. If the account remains in NR status for six months after being marked NR then the account will be converted to customer status. When this conversion occurs, the former Affiliate will lose their ID number and location in the Unilevel organization. The former Affiliate's organization will be rolled up as outlined in section 4.24 and the former Affiliate will not be eligible to claim any former personally sponsored customers or any part of the former Affiliates organization prior to conversion.

### **12.6 - Three phases of inactivity for Affiliates**

#### **12.6.1 Inactive**

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

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

#### **12.6.2 Disabled**

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

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

#### **12.6.3 Deletion**

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

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

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

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

## **SECTION 13 - DEFINITIONS**

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

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

**Affiliate** — Ability to represent SendOutCards with his/her own greeting card and gift business. Eligible to earn commissions and bonuses and receive compensation by sharing SendOutCards.

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

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

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

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

**Commissionable Products/Services** — All SendOutCards products and services on which commissions and bonuses are paid.

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

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

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

**Downline** — The organization below an Affiliate — Ability to represent SendOutCards with his/her own greeting card and gift business. Eligible to earn commissions and bonuses and receive compensation by sharing SendOutCards. consisting of Affiliates sponsored directly by the individual and levels of Affiliates sponsored by those Affiliates below the individual and the individual Affiliates below those to any number of levels, also known as a Unilevel Organization.

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

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

**End Consumer** — A non-Affiliate who purchases SendOutCards products for the purpose of personally consuming them

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

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

**Organization Volume** — The commissionable value of SendOutCards products generated by an Affiliate’s Marketing Organization. Organization Volume does not include the Personal Volume of the subject Affiliate. (Affiliate option and sales aids have no Sales Volume.)

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

**Point** – Unit purchased and used to exchange for the production of a Greeting Card, Postcard, Gift or other item designated as available for purchase using points. (i.e. Postcard = 1 point, Greeting Card = 3 points, 3 Panel Card = 4 points, Big Cards = 15 points, additional elements = 1 point)

**Preferred Customer** — A non-Affiliate customer who has executed a SendOutCards Customer Agreement and who purchases a Preferred Customer Package or at a Preferred price

**Rank** — The “title” that an Affiliate has achieved pursuant to the SendOutCards Marketing and Compensation Plan.

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

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

**Retail Customer** — A non-Affiliate who purchases SendOutCards products from an Affiliate or Affiliate’s retail web site or as part of a retail account.

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

**Sponsor** — An Affiliate who enrolls a Customer, or sponsors another Affiliate into the Company, and is listed as the Sponsor on the Affiliate Application and Agreement

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

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

**Wholesale Customer** — Any account holder with a subscription where points are priced at wholesale price, currently \$0.31.