

STATEMENT OF POLICIES AND DEFINITIONS OF TERMS

STATEMENT OF POLICIES

Capitalized terms used in the Statement of Policies have the meanings set forth in the Definitions of Terms.

1. Becoming a Customer

To become a Customer, a person must: (a) have an Enroller who has submitted an Independent Marketing Executive Agreement; (b) sign and submit a Customer Membership Agreement, marking either the "Direct Customer" or "Preferred Customer" box; and (c) pay a membership fee for the cost of enrollment, product information, and other literature that Customers receive throughout the year. Preferred Customers receive a number of additional benefits and may purchase products directly from Melaleuca at 30% to 40% below the Suggested Retail Price. In return for this added discount, Preferred Customers agree to purchase Melaleuca products totaling at least 35 Product Points each month. Customers are not authorized to market or resell Melaleuca products unless they have also signed and submitted an Independent Marketing Executive Agreement.

2. Becoming a Marketing Executive

To become a Marketing Executive, a person must first (a) have an Enroller who has submitted an Independent Marketing Executive Agreement; (b) sign and submit an Independent Marketing Executive Agreement; and (c) purchase a Business Kit. Once those steps are completed the applicant is authorized to market and resell Melaleuca products and to enroll Customers and Marketing Executives. However, an applicant does not become a Marketing Executive, until: (i) Melaleuca receives the applicant's Independent Marketing Executive Agreement; (ii) the applicant has a Customer or Marketing Executive in his/her Marketing Organization; and (iii) the applicant receives his/her first commission check. Marketing Executives may purchase products directly from Melaleuca at the Direct Customer price. Marketing Executives may also choose to be Preferred Customers, in which case they may purchase products directly from Melaleuca at the Preferred Customer price. Purchase of a Business Kit is optional in North Dakota.

3. Individuals, Corporations, Tax Exempt Entities and Trusts

Melaleuca will only consider for acceptance as Marketing Executives individuals or entities that fall into one of the following categories:

- (a) Individuals who are of the legal age.
- (b) Married couples of which at least one is of legal age.
- (c) Corporations in good standing in the state, province, or country of their incorporation which have as their sole shareholder(s), director(s) and officer(s) either one unmarried individual or a married couple.
- (d) Tax exempt entities which are registered and approved as tax exempt institutions under Section 501(c)(3) of the United States Internal Revenue Code or under Section 248(1) of the Income Tax Act of Canada.
- (e) Trusts established in accordance with Melaleuca guidelines.
- (f) Charitable giving corporations established in accordance with Melaleuca guidelines.

4. Customer Numbers

Customers and Marketing Executives may not use or submit to Melaleuca any Social Security Number, Social Insurance Number, portion of Social Insurance Number, Tax Revenue Number, Taxpayer Identification Number or Corporate Account Number other than the actual number assigned to the Customer or Marketing Executive by the proper governmental authority.

5. Proper Completion of Documents

All agreements must be completely and properly filled out and signed. No copies or alterations will be accepted. If any agreement is altered in any way the agreement will not be deemed accepted by Melaleuca except in its original unaltered form, regardless of passage of time or payment of commissions by Melaleuca. Melaleuca will not be responsible for loss of commissions or bonuses or for delays in Customer or Marketing Executive registrations or orders due to: (a) errors by Customers or Marketing Executives in preparing or sending

agreements, orders or other documents; (b) delays or errors caused by the mail or fax transmission; (c) nonreceipt of documents by Melaleuca; (d) illegible or incomplete information on agreements, orders or other documents; or (e) the inability of Customers or Marketing Executives to reach Melaleuca by telephone or fax during busy calling periods.

Melaleuca will process and credit orders and enrollments in the calendar month in which they are received by Melaleuca.

6. Ordering

Melaleuca encourages Customers to order early in the month. All orders are credited to the calendar month in which they are received by Melaleuca. For purposes of product orders, the calendar month ends on the first day of the following month at 4:00:00 a.m. Mountain Time and begins on the first day of the month at 4:00:01 a.m. Mountain Time. Orders may be placed by telephone, mail, fax or the Internet. All telephone or fax orders must be paid by Visa, MasterCard, Discover/Novus (U.S. only), or electronic checking. Orders by mail may be paid by check, money order, Visa, MasterCard, Discover/Novus (U.S. only) or electronic checking. When paying with a credit card, the card number and expiration date must be included. Customers and Marketing Executives will be charged \$10^{US}/\$15^{CAN} for checks returned for insufficient funds.

Orders for products will usually be processed by Melaleuca within 48 hours of receipt. Shipment will be by common carrier and delivery should be expected within 3 to 10 days. Orders placed during the last week of the month may be delayed due to the large volume of orders received at the end of the month.

7. Customer Satisfaction Guarantee

If for any reason any Customer is not completely satisfied with any product purchased by such Customer from Melaleuca, Melaleuca will replace it without charge or place a credit on the Customer's Melaleuca account for the amount of the purchase price of the product or, upon receipt of a written request from the Customer together with a copy of the invoice from Melaleuca, refund the purchase price (less shipping and handling charges), upon its return within 60 days of purchase.

Unless the Customer requests otherwise, Melaleuca will credit the Customer's Melaleuca account for the purchase price of the returned product. This credit can be redeemed for Melaleuca merchandise at any time. If a Customer has unredeemed credit on account with Melaleuca which is more than six months old, Melaleuca will make an effort to locate the Customer and advise him/her in writing of the credit that is on account and will continue to make such attempts on a monthly basis. Melaleuca will charge the Customer's account a \$10^{US}/\$15^{CAN} service fee for each month's notification process. If a Customer requests a cash refund, Melaleuca will send the Customer a refund check. Refund checks that remain uncashed for more than 180 days will not be honored and the amount of the check (less a processing fee of \$15^{US}/ \$22.50^{CAN} and a bank cancellation/stop payment fee of \$10^{US}/\$15^{CAN}) will be credited to the Customer's account. This credit on account will be subject to the above notification process and associated service fees.

8. Returns and Product Point Adjustments

Career/Value Pack Returns: Individual products that are purchased as part of a Career, Value, or other "special" pack which is priced below the Preferred Customer price, can be returned for an exchange but not for a refund unless the entire pack is returned. Career and Value Pack commissions will be deducted from the Marketing Executive's check in the month the Career or Value Pack is returned by the Customer.

Marketing Executives receive commissions based on actual sales of product to End Consumers. When product is returned to Melaleuca, the commissions attributable to that product will be deducted from the commission checks of the Customer's Support Team in the month that the return occurs. If the return occurs within 6 months of the purchase date, then commissions will be deducted from the commission checks of the Support Team of the Marketing Organization that existed at the time of the purchase. Otherwise, commissions will be deducted

from the commission checks of the Support Team of the current Marketing Organization.

Melaleuca reserves the right to terminate the Independent Marketing Executive Agreement or cancel the Customer Membership Agreement of any Marketing Executive or Customer who abuses the Melaleuca Satisfaction Guarantee and Return Policy by excessively returning products.

9. Business Kit Refund

When a Marketing Executive applicant enrolls and purchases a Business Kit, the Business Kit number will be registered at Melaleuca in the applicant's name. If a Marketing Executive applicant cancels his/her Independent Marketing Executive Agreement and returns his/her purchased Business Kit to Melaleuca within 120 days after the Marketing Executive applicant's date of enrollment, Melaleuca will give such Marketing Executive applicant a full refund for the cost of the Business Kit. A refund will only be sent to the Marketing Executive applicant in whose name the Business Kit number is registered. This policy will apply whether the Marketing Executive applicant purchases the Business Kit directly from Melaleuca or from his/her Enroller. A Marketing Executive who purchases Business Kits for resale to Marketing Executive applicants may return unsold kits to Melaleuca for a refund only if the Marketing Executive cancels his/her Independent Marketing Executive Agreement and returns the Business Kits within 120 days after their date of purchase. Marketing Executives who purchase Business Kits for resale may resell such kits for up to one year from their date of purchase from Melaleuca. Melaleuca encourages Marketing Executives to keep such Business Kits updated until they are sold. A Business Kit may only be sold once. Melaleuca updates and revises Business Kits from time to time. Marketing Executives are encouraged to keep their Business Kits current by purchasing update packets or new Business Kits as they become available. Outdated or old Business Kits may not be exchanged for current Business Kits.

10. Election to Cancel Agreements

A Marketing Executive may cancel his/her Independent Marketing Executive Agreement, and a Customer may cancel his/her Customer Membership Agreement, for any reason at any time by giving written notice to Melaleuca bearing his/her original signature, printed name, address, Customer Number and reason for canceling (to assist Melaleuca in improving its customer service). If an individual or entity is a Preferred Customer and a Marketing Executive, the letter should specify which agreement(s) should be canceled. Written cancellations received by Melaleuca on or before the 25th of the month will be effective the month received. Written cancellations received by Melaleuca after the 25th of the month will be effective the following month. Cancellation notices must be mailed to: Melaleuca, 3910 S. Yellowstone Hwy, Idaho Falls, ID 83402-6003.

11. Cancellation Refund Policy

Melaleuca will repurchase from Marketing Executives who have canceled their Independent Marketing Executive Agreements all unencumbered products which are in resalable condition which were purchased by the Marketing Executive from Melaleuca within the previous 12 months, at a price of not less than ninety percent (90%) of the original net cost to the Marketing Executive. All products or materials must be returned to Melaleuca with shipping prepaid by the Marketing Executive in order to receive the above refund. Melaleuca will charge back all commissions, bonuses and rebates paid by Melaleuca relating to the purchases of those products.

12. Cancellation Refund Policy (for Georgia Residents Only)

Melaleuca will repurchase from Marketing Executives who have canceled their Independent Marketing Executive Agreements pursuant to Policy 10 all unencumbered products, sales aids and literature which are in reasonably resalable or reusable condition which were purchased by the Marketing Executive from Melaleuca, at a price of not less than ninety percent (90%) of the original net cost to the Marketing Executive. Goods shall be deemed "resalable or reusable" if the goods are in an unused, commercially resalable condition at the time the goods are returned to Melaleuca. In addition, Melaleuca will repay ninety percent (90%) of the fees paid by the Marketing Executive for services which have not been provided to the Marketing Executive at the time of cancellation. All products or materials must be returned to Melaleuca shipping prepaid by the Marketing Executive in order to receive the above refund. Melaleuca will charge back all commissions, bonuses and rebates paid by Melaleuca relating to purchases of products or services for which refunds are given under this policy.

13. Errors or Questions

Marketing Executives should notify Melaleuca immediately of any errors or questions about commissions, bonuses, Monthly Business Reports, orders or charges. Melaleuca will correct any errors reported to it within 60 days, but Melaleuca will not be responsible for any errors, omissions or problems not reported within 60 days.

14. Joint Ownership of a Business

Independent Melaleuca Businesses may only be owned by an individual or a married couple, or by corporations, tax exempt entities or trusts that comply with Melaleuca guidelines. If a couple who jointly own an Independent Melaleuca Business divorce, they may apply to have the Independent Melaleuca Business transferred to one of them as the sole owner. The divorced couple must submit to Melaleuca a written request specifying to which person the Independent Melaleuca Business will be transferred. The request must either contain the notarized signature of both parties or contain the notarized signature of at least one party and include a certified copy of the court approved divorce decree or property settlement that designates to which party the Independent Melaleuca Business should be transferred. Melaleuca is not bound by any such request or court decree and retains the right to approve or disapprove of such transfer request at its sole discretion. If the transfer is approved, the person to whom the Independent Melaleuca Business is being transferred must sign and submit to Melaleuca a new Independent Marketing Executive Agreement.

15. One Business per Person or Couple

A Marketing Executive may not own, operate or have a financial interest in more than one Independent Melaleuca Business without Melaleuca's express written approval. With regard to married couples and non-married cohabiting couples, both persons will be treated as a single Marketing Executive for purposes of Melaleuca's policies. Therefore, for example, if one person owns an Independent Melaleuca Business the other person may not own, operate or have a financial interest in a separate Independent Melaleuca Business. Additionally, if the couple jointly owns an Independent Melaleuca Business, neither person may own, operate or have a financial interest in a separate Independent Melaleuca Business. However, if two people who own separate Independent Melaleuca Businesses marry, they may each retain ownership of their businesses.

16. Conduct of Household Members

If any member of the Marketing Executive's Immediate Household engages in any activity which, if performed by the Marketing Executive, would violate any Melaleuca policy or any provision of the Independent Marketing Executive Agreement, such activity will be deemed a violation by the Marketing Executive.

17. Inheritance of Business

An Independent Melaleuca Business may be inherited by a single person, a married couple or a trust which complies with Melaleuca's guidelines, pursuant to a valid will or other appropriate document, or in accordance with the intestacy laws of the state, province, or country in which the Marketing Executive resides. A person who inherits an Independent Melaleuca Business must furnish Melaleuca with proper documentation that he/she is the beneficiary and is authorized to represent the estate. He/she must also execute a Customer Membership Agreement and an Independent Marketing Executive Agreement, fulfill all of the functions of a Marketing Executive and abide by the terms of Melaleuca's Statement of Policies.

18. Sale or Transfer of Business

Before a Marketing Executive can sell or transfer his/her Independent Melaleuca Business (except for transfers by inheritance pursuant to Policy 17) all of the following requirements must be met:

- (a) The transfer must be approved in writing by Melaleuca as being in the best interest of all parties involved, including the transferor, the transferee, Melaleuca and the members of the Marketing Organization of the transferor.
- (b) The transfer must not constitute the purchase of status or position by the transferee. The Marketing Executive's actual status must equal the potential status which the Marketing Executive could attain based on his/her Organization Product Points at the time of the transfer and for a reasonable period prior to the transfer, and the transferor Marketing Executive must have been the actual Enroller of all Personal Enrollees and must have been actively involved in working with his/her personal directors. Marketing Executives may not contract or agree with or allow another person to work

their Independent Melaleuca Business to bring it up to its potential status or offer to sell their business to another person on the condition that such person bring the business up to its potential status.

- (c) Completed original signed and notarized Organization Sale Request and Organization Purchase Request forms must be submitted to and accepted by Melaleuca.
- (d) The transferee of the business must have completed and submitted to Melaleuca an Independent Marketing Executive Agreement.
- (e) The transferee of the business has undergone, or will agree to undergo, such training and orientation as Melaleuca may require commensurate with the size of the business being purchased.
- (f) The transferor Marketing Executive and the Independent Melaleuca Business must have been in compliance with all of Melaleuca's policies and the terms of the Independent Marketing Executive Agreement for the entire twelve month period preceding the transfer including the month in which the transfer occurs.
- (g) Independent Melaleuca businesses that have or have had a total group volume of 5,000 Product Points or more may not be transferred to any other party as any such transfer would constitute the purchase of status or position.

19. Transfer from Original Organization

Marketing Executives and Customers may transfer from one Melaleuca organization to another only upon fulfillment of all of the following requirements:

- (a) The Marketing Executive or Customer seeking the organization change has submitted an Organization Change form with the original signatures of the seven Marketing Executives in the immediate seven generations above the Marketing Executive or Customer seeking the change. Faxes or photocopies of the executed Organization Change form will not be accepted;
- (b) A Marketing Executive seeking the organization change has no more than 10 Customers in his/her existing Marketing Organization and will have no more than 10 Customers in the Marketing Organization into which he/she is seeking to be moved;
- (c) The Marketing Executive or Customer seeking the organization change has paid to Melaleuca the applicable fee charged by Melaleuca for organization changes;
- (d) Melaleuca has approved the change in writing, which approval Melaleuca may withhold in its sole discretion.

20. Non-Solicitation and Conflicts of Interest

Marketing Executives are independent contractors and may be active in other business ventures while they are Marketing Executives for Melaleuca. However, to qualify for compensation under Melaleuca's Compensation Plan, Marketing Executives have the ongoing responsibility to service, supervise, motivate, train and assist the Marketing Executives in their Marketing Organizations. They also have the responsibility to promote Melaleuca products and the Melaleuca income opportunity. Melaleuca and its Marketing Executives have made a great investment in the establishment of organizations consisting of Customers and Marketing Executives. This constitutes one of Melaleuca's most valuable assets. Melaleuca reserves the right to cease paying compensation to any Marketing Executive who recruits any Melaleuca Customer or Marketing Executive to participate in another business venture. In order to protect the efforts of all Marketing Executives in building and maintaining their individual Marketing Organizations and Customer bases, and in order to protect Melaleuca's interest in the overall Customer base, Marketing Executives and all members of their Immediate Household are required to abide by the following policies:

- (a) Non-Solicitation of Melaleuca Customers and Marketing Executives:
 - (i) During the period that their Independent Marketing Executive Agreements are in force Marketing Executives and all members of their Immediate Household are prohibited from directly, indirectly or through a third party recruiting any Melaleuca Customers or Marketing Executives to participate in any other business venture.
 - (ii) For a period of twelve months after cancellation or termination for any reason of a Marketing Executive's Independent Marketing Executive Agreement, the Marketing Executive and all members of his or her Immediate Household are prohibited from directly, indirectly or through a third party recruiting to participate in any other business venture any Melaleuca Customers or Marketing Executives:
 - (1) who were in the Marketing Executive's Marketing Organization or

Support Team at any time during the term of his or her association with Melaleuca;

- (2) with whom the Marketing Executive had contact during the term of his or her association with Melaleuca;
- (3) whose contact information (name, address, phone number or email address, etc.) the Marketing Executive or members of his or her Immediate Household has obtained at any time during the term of his or her association with Melaleuca; or
- (4) whose contact information (name, address, phone number or email address, etc.) the Marketing Executive or members of his or her Immediate Household obtained at any time from another person who obtained the information because of any other person's association with Melaleuca.

The prohibitions under clauses (a)(i) and (ii) above include but are not limited to, presenting or assisting in the presentation of other business ventures to any Melaleuca Customer or Marketing Executive or implicitly or explicitly encouraging any Melaleuca Customer or Marketing Executive to join any other business ventures. It is a violation of this policy to recruit a Melaleuca Customer or Marketing Executive to participate in another business venture even if the Marketing Executive does not know that the prospect is also a Melaleuca Customer or Marketing Executive. It is the Marketing Executive's responsibility to first determine whether the prospect is a Melaleuca Customer or Marketing Executive before recruiting the prospect to participate in another business venture.

(Please refer specifically to the definition of "recruit" in the Definitions of Terms at the end of these Policies.)

- (b) During the period that their Independent Marketing Executive Agreements are in force, and for a period of twelve months after the cancellation or termination thereof for any reason, Marketing Executives and all members of their Immediate Household are further prohibited from the following:
 - (i) Producing any literature, tapes or promotional material of any nature (including but not limited to websites and emails) which is used by the Marketing Executive or any third person to recruit Melaleuca Customers or Marketing Executives to participate in another business venture;
 - (ii) Selling, offering to sell, or promoting any competing products or services to Melaleuca Customers;
 - (iii) Offering any non-Melaleuca products, services or business ventures in conjunction with the offering of Melaleuca products, services or income opportunity or at any Melaleuca meeting, seminar, launch, convention, or other Melaleuca function.
- (c) (i) Violation of any provision of this Policy 20 constitutes a Marketing Executive's voluntary resignation and cancellation of his/her Independent Marketing Executive Agreement, effective as of the date of the violation, and the forfeiture of the Marketing Executive of all commissions or bonuses payable for and after the calendar month in which the violation occurred.
 - (ii) If Melaleuca pays any bonuses or commissions to the Marketing Executive after the date of the violation, all bonuses and commissions for and after the calendar month in which the violation occurred shall be refunded to Melaleuca.
 - (iii) Melaleuca may seek and obtain from the violating Marketing Executive both injunctive relief and damages for violations of this Policy 20. Melaleuca, may, at its option, elect to enforce this Policy by lawsuit in a court of competent jurisdiction in Idaho rather than by arbitration.
 - (iv) In addition to being entitled to a refund of bonuses and commissions and to damages as described above, in the event a person or entity violates this Policy 20, Melaleuca and any Marketing Executive that experiences an adverse financial impact as a result of such person's or entity's violation of this Policy 20 shall be entitled to an accounting and repayment of all profits, compensation, commissions, remunerations or other benefits which the person or entity directly or indirectly receives and/or may receive as a result of, growing out of, or in connection with any violation of this Policy. Such remedy shall be in addition to and not in limitation of any damages, or injunctive relief or other rights or remedies to which Melaleuca is or may be entitled at law or in equity.
- (d) Violations of this Policy 20 are especially detrimental to the growth and sales of other Marketing Executives' Independent Melaleuca Businesses and to Melaleuca's business. Consequently, Marketing Executives who have

knowledge that any Marketing Executive has violated this Policy must immediately report that information to Melaleuca's Policy Administration Department. The failure of a Marketing Executive to report such information to Melaleuca will also constitute a violation of this Policy. The names of those reporting violations of this Policy will be held in confidence.

21. Proprietary Information and Trade Secrets

By executing the Independent Marketing Executive Agreement, the Marketing Executive acknowledges that all information which is contained in the Marketing Executive's Monthly Business Report, including names, addresses and telephone numbers of Marketing Executives and Customers, is Melaleuca's proprietary trade secret information. The Marketing Executive agrees not to disclose such information to any third party (except to existing or prospective Melaleuca Marketing Executives or Customers for the purpose of promoting Melaleuca products and business opportunity) or to utilize such information for the purpose of promoting any other business opportunity at any time, whether during the term of his/her association with Melaleuca or thereafter. The Marketing Executive acknowledges that such proprietary information is of such character as to render it unique and that disclosure or use thereof in violation of this provision will result in irreparable damage to Melaleuca and to Independent Melaleuca Businesses. Melaleuca and its Marketing Executives will be entitled to injunctive relief to prevent violation of this policy. If litigation or arbitration is required to obtain injunctive relief or to recover damages, the prevailing party shall be entitled to an award of attorney's fees and expenses.

22. The Enroller

- (a) A Marketing Executive who is the Enroller of a new Customer or Marketing Executive may not list another Marketing Executive who did not participate in the contact or the presentation as the Enroller of such new Customer or Marketing Executive. Regardless of where a Customer or Marketing Executive is placed in a Marketing Organization, the actual Enroller of such Customer or Marketing Executive must be listed as the Enroller on the Customer Membership Agreement.
- (b) The Enroller and any other Marketing Executives involved in the recruiting and enrollment process may use only Melaleuca's products and its compensation plan and their personal commitment to help the new Marketing Executive build his or her business as an inducement to enroll. Marketing Executives may not enter into special deals with an Enrollee, including, but not limited to, promises of the payment of money or roll ups.

23. Supervisory and Leadership Functions

Marketing Executives' compensation is based on sales of product to the End Consumer. To qualify for this compensation Marketing Executives have the ongoing responsibility to promote the Melaleuca business opportunity, to support Melaleuca's policies, programs and personnel, and to service, supervise, motivate and train the Marketing Executives in their Marketing Organization to sell and market Melaleuca products and promote the Melaleuca business opportunity. Any effort by a Marketing Executive to convince or entice any Customer or Marketing Executive to discontinue or diminish purchasing Melaleuca products, to move from one Melaleuca Marketing Organization to another, to discontinue or diminish efforts to promote the Melaleuca business opportunity, or to promote or pursue another direct selling opportunity, or to disparage Melaleuca, or its products, marketing plan, management team or other personnel is a violation of the Marketing Executive's leadership responsibility and a violation of this policy.

24. Excess Inventory Purchases Prohibited

The Melaleuca marketing program is built upon sales to the End Consumer. Products representing at least 70% of a Marketing Executive's monthly Organization Product Points must be sold to End Consumers each month. Any device or scheme whereby a Marketing Executive directly or through a third party purchases excess product solely for purposes of qualifying for bonuses or commissions constitutes fraud on the part of the Marketing Executive.

25. Selling in Stores

Melaleuca is in strong support of home-based businesses and personal product presentations. To maintain a standard of fairness, Marketing Executives may not display or sell Melaleuca products in drug stores, health food stores or grocery stores. Any display of Melaleuca products to the public must be tasteful and professional. A Marketing Executive may not display or sell Nicole Miller products in any type of retail setting.

26. Media Inquiries

It is Melaleuca's policy to have a single spokesperson handle all inquiries from the media and all media relations. Therefore, Marketing Executives may not, for any reason, discuss their Independent Melaleuca Business with the media, nor act as spokespersons for Melaleuca nor talk to the media regarding Melaleuca, its Compensation Plan, its products or services. It is a violation of this policy to provide any information to the media, regardless of whether the information is positive or negative, accurate or inaccurate. All inquiries from the media (whether radio, television or print) must be referred to Melaleuca.

27. Checks and Monthly Business Reports

Commission and bonus checks are generally mailed by Melaleuca to Marketing Executives on or about the 15th day of each month for commissions and bonuses earned during the previous month. When the 15th day of the month falls on a weekend or holiday, checks will generally be mailed on the next business day. Each Marketing Executive qualifying for a commission or bonus will receive a Monthly Business Report showing the status of each Customer and Marketing Executive in his/her Marketing Organization.

The Monthly Business Report will show the calculation of the Marketing Executive's commission and bonus in detail. Marketing Executives should use their Monthly Business Report as a tool to manage, supervise and train the members of their Marketing Organizations. The information contained in Business Reports is Melaleuca's proprietary trade secret information, and Marketing Executives are prohibited from disseminating the information contained therein. See Policy 21 for further detail regarding Marketing Executives' obligations with respect to such proprietary trade secret information. A data processing fee is charged each Marketing Executive for generating and maintaining computerized Monthly Business Reports.

Commission and bonus checks which remain uncashed for more than 180 days will not be honored and the amount of the check, less a processing fee of \$15.00^{US} / \$22.50^{CAN} and a bank cancellation/stop payment fee of \$10.00^{US} / \$15.00^{CAN}, will be credited to the Marketing Executive's account, which credit may be used towards future purchases made by the Marketing Executive. If a Marketing Executive's account is inactive and it is necessary to notify the Marketing Executive of the credit on account, a service charge of \$10.00^{US} / \$15.00^{CAN} will be deducted from the account for each notice sent.

28. Purchases for Other Persons

A Marketing Executive may not order or pay for products for Customers without such Customer's express authorization and agreement to reimburse the Marketing Executive for such product.

29. Restrictions on International Marketing (United States and Canada)

Marketing Executives enrolled in the United States and Canada are authorized to sell Melaleuca products and to enroll Customers and Marketing Executives in the United States and Canada. In all other countries in which Melaleuca or its affiliates are authorized to conduct business Marketing Executives may only enroll Customers and Marketing Executives pursuant to Melaleuca's International Sponsorship Program. Marketing Executives and Customers may not ship or sell Melaleuca products across any international border for the purpose of resale, except the U.S./Canadian border provided the products are appropriately labeled for the country of their destination. Marketing Executives and Customers may not sell, give, transfer, import, export or distribute Melaleuca products or sales aids in any country, other than the United States and Canada, nor provide products to any individual who the Marketing Executive or Customer knows or has reason to believe is exporting products to another country.

29.1. Restrictions on International Marketing (Melaleuca of the Caribbean)

Marketing Executives enrolled under Melaleuca of the Caribbean are authorized to enroll Customers and Marketing Executives in any country in which Melaleuca of the Caribbean is authorized to conduct business. In all other countries in which Melaleuca or its affiliates are authorized to conduct business, Marketing Executives may only enroll Customers and Marketing Executives pursuant to Melaleuca's International Sponsorship Program. Marketing Executives and Customers may not ship or sell Melaleuca products across any international border for the purpose of resale. Marketing Executives and Customers may not sell, give, transfer, import, export or distribute Melaleuca products or sales aids in any other country, nor provide products to any individual or entity who the Marketing Executive or Customer knows or has reason to believe is exporting products to another country.

30. Trademark, Service Mark and Trade Name Restrictions

Customers and Marketing Executives may not use, reproduce or disseminate the Melaleuca trade name or logo or any Melaleuca trademark or service mark except in the use and dissemination of literature published and made available by Melaleuca and except on stationary and business cards produced and authorized by Melaleuca. This includes, but is not limited to, the formatives “Mela” and “Mel,” the term “Melaleuca,” the leaf and drop logo, and all marks or slogans designating products or services offered by Melaleuca.

31. Rules regarding Advertising, Internet Usage and Sale of Materials

(a) Marketing Executives may not:

- (i) create, publish, sell, use, display or distribute any literature, audio or video recording, Internet web site, telephone ad message, Internet bulletin board message, mass or bulk email message (including auto-response messages), infomercial or other print, audio, visual or electronic media which represents Melaleuca, its products, services, Compensation Plan or business opportunity other than as specifically permitted pursuant to this Policy and Melaleuca’s Guidelines on Internet Usage or that which is produced and provided by Melaleuca;
 - (ii) copy or reproduce any materials produced by Melaleuca except as specifically permitted pursuant to this policy;
 - (iii) use the Melaleuca name or logo or the name or logo of any of Melaleuca’s products or services in any notice, display, advertisement or promotion, including, but not limited to, newspaper, magazine, radio, television or Internet or email advertisements, or telephone, Internet or other directories (except a Marketing Executive may have a directory listing in the following format: “Melaleuca Independent Marketing Executive—[name of Marketing Executive]”);
 - (iv) display, advertise or promote Melaleuca’s products, services or business opportunity at county fairs, craft fairs, business fairs, trade shows, flea markets or any similar event, including the use of booths, without the express prior written approval of Melaleuca;
 - (v) charge for Melaleuca-related meetings performed or arranged by a Marketing Executive except to the extent necessary to cover the actual out-of-pocket expenses incurred.
- (b) Marketing Executives may use websites and email messages only in accordance with Melaleuca’s Guidelines on Internet Usage as the same are published on Melaleuca’s website, and which may be revised and modified from time to time at Melaleuca’s sole discretion. Melaleuca will take reasonable measures to publish notice of any changes to the guidelines on its website, however it is the Marketing Executives’ responsibility to review these guidelines periodically to be informed of and comply with any changes.
- (c) Marketing Executives may only use websites produced by Melaleuca’s approved website vendors.
- (d) Melaleuca will have the right, in its absolute discretion, to require that any Melaleuca related website be taken down and that any Melaleuca related email message be discontinued. A Marketing Executive’s failure to comply with any provision of this policy may result in forfeiture of commissions and bonuses, fines, and/or in termination of the Marketing Executive’s Independent Marketing Executive Agreement.

32. Income Claims

Marketing Executives are prohibited from making false, misleading or inaccurate claims about their or other persons’ compensation received under the Melaleuca Compensation Plan. If, when presenting the Melaleuca business opportunity, a Marketing Executive makes any claim regarding his/her compensation from Melaleuca, or the potential compensation payable under Melaleuca’s Compensation Plan, the Marketing Executive must also show the person(s) receiving the presentation Melaleuca’s current Marketing Executives Annual Income Statistics sheet.

33. Product Claims and Warranties

Marketing Executives may not make any product claims, weight loss or health benefit claims, or product warranties other than those published in Official Melaleuca Material. Marketing Executives shall not publish or distribute information relating to uses of Melaleuca products other than those which are set forth in Official Melaleuca Material. Marketing Executives may not utilize Official

Melaleuca Material which is approved for use in one country to make product claims or promote Melaleuca products in another country.

34. Ethical Sales Practices

Marketing Executives shall:

- Conduct themselves in a professional, courteous and considerate manner;
- Represent Melaleuca products in a sincere and honest manner and will honor Melaleuca’s Customer Satisfaction Guarantee;
- Represent the Melaleuca Compensation Plan only as prescribed by Official Melaleuca Material;
- Become familiar with and utilize sales techniques, Melaleuca’s Compensation Plan and Statement of Policies, and other materials as prescribed by Melaleuca;
- Present the Melaleuca business opportunity in a manner which is consistent with Official Melaleuca Material; and
- Provide training, motivation and support to Marketing Executives in their organization.

Marketing Executives shall not:

- Engage in any deceptive, unlawful, or unethical business or recruiting practice;
- Engage in any high pressure selling or recruiting practices;
- Enroll minors or persons who are not capable of making an informed decision with respect to entering into a Customer Membership Agreement or Independent Marketing Executive Agreement;
- Order Melaleuca products for other Customers or Marketing Executives without the express permission of such persons; or
- Seek in any way to violate or circumvent Melaleuca’s policies.

35. Policy Disclosure Requirement

Prior to enrolling a prospective Marketing Executive, Marketing Executives shall provide to and review with the prospective Marketing Executive a current copy of Melaleuca’s Statement of Policies and Definitions of Terms.

36. Voluntary Resignation Due to Inactivity

It is the Marketing Executive’s responsibility to lead his/her Marketing Organization with the proper example in production of Personal Product Points. Without this proper example and leadership, the Marketing Executive will lose his/her right to receive commissions and bonuses from his/her Marketing Organization. Therefore, Marketing Executives who produce less than the minimum Personal Product Points required to maintain their current Active Status during a month, as set forth in the Compensation Plan, will not receive the commission or bonus attributable to such status for the sales generated through their Marketing Organization for that month. Failure to meet Personal Product Point requirements for two consecutive months constitutes the Marketing Executive’s voluntary resignation. A Marketing Executive who has voluntarily resigned will lose all his/her Personal Enrollees and his/her Marketing Organization. The resignation shall become effective on the day following the last day of the second month of inactivity.

37. Reactivation and Reenrollment Requirements

- (a) When a Marketing Executive who has been deemed to have voluntarily resigned due to inactivity under Policy 36 becomes reactivated, he/she will reenter his/her previous Marketing Organization in the first available position below his/her original Marketing Executive other than the position left vacant by such Marketing Executive.
- (b) Former
 - (i) Customers and Marketing Executives with the Executive Status of Marketing Executive III or below
 - (1) may re-enroll as new Customers and Marketing Executives with their original Enroller and their original Marketing Executive at any time, but each such reenrollment will constitute a new enrollment for the Enroller only if the newly reenrolled Customer has been cancelled or inactive for 12 consecutive months or longer prior to reenrolling.
 - (2) who have not been enrolled with Melaleuca for at least the previous six consecutive months may reenroll as new Customers and Marketing Executives with the Enroller and Marketing Executive of their choice.
 - (ii) Marketing Executives with the Executive Status of Director and above
 - (1) may reenroll as new Customers and Marketing Executives with their original Enroller and their original Marketing Executive at any time, but each such reenrollment will constitute a new enrollment for the

- Enroller only if the newly reenrolled Customer has been cancelled or inactive for 12 consecutive months or longer prior to reenrolling.
- (2) who have not been enrolled with Melaleuca for at least the previous two years may reenroll as new Customers and Marketing Executives with the Enroller and Marketing Executive of their choice.
 - (c) If a former Customer or Marketing Executive desires to reenroll in a new Marketing Organization in which any Marketing Executive in the new Support Team was also in his/her previous Support Team, such former Customer or Marketing Executive may reenroll no sooner than twelve months following the date that such Support Team Marketing Executive became inactive in his/her previous Marketing Organization. Any individual involved in the violation of this policy will be subject to corrective measures pursuant to Policy 42, including fines and/or cancellation of his or her Independent Marketing Executive Agreement.
 - (d) Former Customers or Marketing Executives who reenroll pursuant to this Policy 37 will not be eligible to roll up pursuant to Policy 39.

38. Titles Not Forfeited

A Marketing Executive can lose his/her Marketing Executive II, Marketing Executive III, Director, Senior Director, Executive Director or Corporate Director status and therefore the right to participate in the corresponding commission and bonus if he/she no longer qualifies for the commission or bonus pertaining to such status. However, as long as a Marketing Executive remains active, he/she will not forfeit the title of the highest status he/she has achieved, i.e., once a Director, always a Director, once an Executive Director, always an Executive Director.

39. Roll Up Policy

- (a) When a vacancy occurs in a Marketing Organization due to the inactivity, voluntary resignation or involuntary termination of a Marketing Executive (a "Canceled Marketing Executive"), each Marketing Executive in the first generation below the Canceled Marketing Executive (a "First Generation Marketing Executive") will have the opportunity to qualify to roll up into the position of the Canceled Marketing Executive. In order to qualify for such roll up, the following requirements must be met:
 - (i) If the Canceled Marketing Executive's Organization Product Points were less than 2500 in the Canceled Marketing Executive's first month of inactivity, the First Generation Marketing Executive with the highest Active Status in the Canceled Marketing Executive's second month of inactivity will roll up to the position of the Canceled Marketing Executive in the month following the Canceled Marketing Executive's second month of inactivity. In the event of a tie, the following criteria will be applied, in the order listed, to the First Generation Marketing Executives involved in the tie until the tie is broken:
 - (1) who has the largest number of personally enrolled Directors;
 - (2) who has the largest number of personally enrolled Preferred Customers;
 - (3) whose Marketing Organization has the largest number of Preferred Customers;
 - (4) whose Marketing Organization has the highest average Product Point order per Customer; and
 - (5) who has the highest Personal Product Points.
 - (ii) If the Canceled Marketing Executive's Organization Product Points were equal to or greater than 2500 in the Canceled Marketing Executive's first month of inactivity, the First Generation Marketing Executive who has or first attains the status which corresponds to the Canceled Marketing Executive's Organization Product Points in the first month of inactivity will roll up to the position of the Canceled Marketing Executive the month following the month the First Generation Marketing Executive has or attains such status, but in no event sooner than the month following the Canceled Marketing Executive's second month of inactivity. If two or more First Generation Marketing Executives qualify for the roll up in the same month, the tie will be broken by application of the criteria set forth in subparagraph (i) above.
- (b) The Enroller of a Canceled Marketing Executive will inherit the Canceled Marketing Executive's Personal Enrollees as follows:
 - (i) For each Personal Enrollee that is a Customer (with no Marketing Organization) or that had the Active Status of a Marketing Executive

- and had less than 2500 Organization Product Points in the Canceled Marketing Executive's first month of inactivity the Enroller will automatically inherit the Personal Enrollee in the Canceled Marketing Executive's third month of inactivity.
 - (ii) For each Personal Enrollee that had the Active Status of a Marketing Executive II or above and had less than 2500 Organization Product Points in the Canceled Marketing Executive's first month of inactivity, the Enroller will inherit such Personal Enrollee in the month following the month the Personal Enrollee has advanced one status above the active status the Personal Enrollee had in the Canceled Marketing Executive's first month of inactivity.
 - (iii) For each Personal Enrollee that had Organization Product Points of 2500 or more in the Canceled Marketing Executive's first month of inactivity, the Enroller will inherit such Personal Enrollee in the month following the month the Personal Enrollee has advanced one status level above the Volume Status that the Personal Enrollee had in the Canceled Marketing Executive's first month of inactivity.
 - (iv) If the Personal Enrollee had Organization Product Points of 50,000 or more or an Executive Status of Executive Director or higher in the Canceled Marketing Executive's first month of inactivity, the Enroller cannot inherit such Personal Enrollee.
 - (v) No Enroller can inherit a Personal Enrollee whose Executive Status is higher than his/her own, unless neither has an Executive Status higher than Director II.
- (c) If the Canceled Marketing Executive had the Active Status of Senior Director or above in his/her last month of activity and (i) was terminated by Melaleuca for a policy violation or (ii) voluntarily resigned or went inactive while under investigation for a policy violation, the Enroller of such Canceled Marketing Executive will continue to receive credit for having a Personal Enrollee with the same status (Senior, Executive or Corporate Director) to count towards the Enroller's status for twelve consecutive months from the month following the termination or resignation of the Canceled Marketing Executive. For each month after the initial twelve months, the Enroller of such Canceled Marketing Executive will receive credit for having a Personal Enrollee with the status (Senior, Executive or Corporate Director) attributable pursuant to the Compensation Plan to the Group Volume of the Marketing Organization of the Canceled Marketing Executive. However, such credit cannot apply at the same time with respect to two Personal Enrollees. Therefore, the credit will expire in the first month in which both of the following have occurred: (x) a Personal Enrollee of the Canceled Marketing Executive rolls up into the position previously held by the Canceled Marketing Executive, and (y) the Enroller of the Canceled Marketing Executive inherits or has inherited such Personal Enrollee of the Canceled Marketing Executive.
 - (d) To qualify for any roll up or inheritance, the Marketing Executive who will be receiving the roll up or who will be inheriting Personal Enrollees must have been in compliance with Melaleuca's policies for the preceding 12 months.

40. Obligations of Independent Contractors

As an independent contractor, it is a Marketing Executive's responsibility to:

- (a) Abide by any and all federal, state, provincial, county and local laws, rules and regulations pertaining to the acquisition, receipt, holding, selling, distributing or advertising of Melaleuca products and services and the promotion of the Melaleuca business opportunity;
- (b) At the Marketing Executive's own expense, make, execute or file all such reports and obtain such licenses as are required by law or public authority with respect to his/her Independent Melaleuca Business and/or the receipt, holding, selling, distributing or promoting of Melaleuca products;
- (c) Be solely responsible for declaration and payment of all local, state, provincial, federal and general sales taxes and fees as may accrue because of the Marketing Executive's activities in conjunction with his/her Independent Melaleuca Business;
- (d) Supply all of his/her own equipment and tools for operating his/her business, such as telephone, transportation, professional services, office equipment, and office supplies; and
- (e) Provide his/her own place of business and determine his/her own work hours.

41. Marketing Executives Are Not Corporate Representatives

Marketing Executives are not corporate representatives of Melaleuca and are not authorized to incur any debt, expense or obligation on behalf of or for Melaleuca, nor bind Melaleuca to any agreement or contract.

42. Corrective Measures

All of the policies in this Statement of Policies, the provisions of the Independent Marketing Executive Agreement, the Corporate Entity Application and Agreement and any other agreements entered into by and between Melaleuca and Marketing Executives are material terms to the agreement between Melaleuca and Marketing Executives. A Marketing Executive's violation of any of the terms and conditions of any of these agreements or the Statement of Policies or any illegal, fraudulent, deceptive or unethical business conduct by a Marketing Executive may result, at Melaleuca's discretion, in one or more of the following corrective measures:

- (a) issuance of a written warning or admonition;
- (b) imposition of a fine, which may be imposed immediately or withheld from future commission and/or bonus checks;
- (c) reassignment of all or part of his/her Marketing Organization;
- (d) suspension of his/her Independent Marketing Executive Agreement for one or more months;
- (e) cancellation of his or her Independent Marketing Executive Agreement; or
- (f) any other measure expressly stated within any of the policies set forth in the Statement of Policies or any provision of the Marketing Executive Agreement, the Corporate Entity Application and Agreement, or the Tax Exempt Entity Application and Agreement.

Melaleuca has the right to withhold from a Marketing Executive all bonuses and commissions during the period that Melaleuca is investigating the alleged violative conduct of the Marketing Executive. If a Marketing Executive's Independent Marketing Executive Agreement is canceled due to a violation preceding the investigation, the Marketing Executive will not be entitled to any commissions or bonuses withheld by Melaleuca during the investigation period.

43. Forfeiture of Rights to Bonuses and Commissions

So long as a Marketing Executive is complying with all policies and terms of the Independent Marketing Executive Agreement, Melaleuca is obligated to pay commissions and bonuses to such Marketing Executive in accordance with the Compensation Plan. A Marketing Executive's commissions and bonuses constitute the entire consideration for all of the Marketing Executive's efforts in generating sales, and the Marketing Executive's right to receive commissions and bonuses from Melaleuca constitutes the entire value attributable to the Marketing Executive's Marketing Organization. Following a Marketing Executive's resignation, cancellation for inactivity, or voluntary or involuntary cancellation of his/her Independent Marketing Executive Agreement, such former Marketing Executive shall have no right, title, claim or interest to the Marketing Organization. The former Marketing Executive shall have no claim for compensation for the Marketing Organization or for bonuses or commissions stemming from sales generated within or by the Marketing Organization or for car bonus amounts held in escrow by Melaleuca. Following voluntary or involuntary cancellation of his/her Independent Marketing Executive Agreement, the former Marketing Executive shall not hold himself/herself out as a Melaleuca Marketing Executive and shall not have the right to sell Melaleuca products or services.

44. Amendments to Compensation Plan, Statement of Policies, and/or Independent Marketing Executive Agreement

Upon notification to Marketing Executives, Melaleuca may, at its sole discretion, amend the Compensation Plan, Statement of Policies, Definitions of Terms and/or the terms of the Independent Marketing Executive Agreement and any other agreements entered into by and between Melaleuca and the Marketing Executives. By signing the Independent Marketing Executive Agreement, Marketing Executives agree to abide by any such amendments. The continuation of an Independent Melaleuca Business or a Marketing Executive's acceptance of commissions and/or bonuses from Melaleuca constitutes his/her acceptance of any such amendments. Marketing Executives will be bound by the most current versions of the Compensation Plan, the Statement of Policies, the Definitions of Terms, the Independent Marketing Executive Agreement and any other agreements entered into by and between Melaleuca and the Marketing Executives.

MELALEUCA DEFINITIONS OF TERMS

The following terms will have the meanings set forth herein when used in Melaleuca's Statement of Policies, Compensation Plan and/or Independent Marketing Executive Agreement and other Official Melaleuca Material.

Active Customer: Any Customer who purchases at least 35 Product Points each month.

Active Marketing Executive: A Marketing Executive who personally produces the number of Product Points each month that are required to qualify at his/her Active Status level pursuant to the Compensation Plan.

Active Status: The development position or leadership status of a Marketing Executive as of the most recent month end, or business reporting period.

Annual Income Statistics: A summary of income statistics published by Melaleuca setting forth information regarding average, high and low income received by Marketing Executives on an annual basis.

Assist: A Marketing Executive who helps another Marketing Executive to present the Melaleuca program may be designated as the "Assist" on the Independent Marketing Executive Agreement form. The Marketing Executive designated as the "Assist" receives the Value Pack and Career Pack commission on the first Value Pack or Career Pack ordered by the new Customer or Marketing Executive.

Average Retention Index: An average of the percentages of customers remaining in an organization from the past 5 enrollment months. Your ARI is used to determine your Retention Factor, multiplier in the Leadership Pool Formula, and (if you are a Senior Director or above) determines your participation in the Leadership Growth Bonus.

Backup Order: A preselected package of Melaleuca products which is automatically shipped to Preferred Customers if they fail to order the minimum monthly Product Points agreed upon in their Customer Membership Agreement. Those who select the Preferred Customer option in the Customer Membership Agreement preauthorize Melaleuca to send a Backup Order and to make an automatic withdrawal from their checking account, or a charge to their credit card to pay for each Backup Order.

Business Kit (Membership Kit): The Melaleuca product and business opportunity information portfolio purchased by a new Marketing Executive pursuant to the terms of the Independent Marketing Executive Agreement which includes product and marketing information and other Official Melaleuca Material.

Compensation Plan: The plan offered by Melaleuca which sets forth the compensation provided to Marketing Executives for the continuing building, promoting, training, motivation, servicing and development of their Independent Melaleuca Businesses.

Corporate Entity Application and Agreement: The addendum to the Independent Marketing Executive Agreement which must be completed by corporate entities which are applying to become Marketing Executives.

Customer: A person who has an Enroller, has completed, executed and delivered to Melaleuca a Customer Membership Agreement and has paid to Melaleuca the appropriate membership fee. Customers are either Direct Customers or Preferred Customers.

Customer Membership Agreement: The agreement which must be completed, signed, received and accepted by Melaleuca before a person may become a Customer.

Customer Number: A unique number assigned by Melaleuca to each Customer to facilitate internal record keeping by Melaleuca with respect to the Customer.

Direct Customer: A Customer who is authorized to purchase product from Melaleuca at Direct Customer prices pursuant to a Customer Membership Agreement.

Electronic Checking: A payment method by which a Customer authorizes Melaleuca to deduct payment for orders directly from his/her checking account (not yet permitted in Jamaica or Bahamas).

End Consumer: A person who purchases Melaleuca products for the purpose of consuming them rather than for resale to someone else.

Enroll: To enlist, sponsor or sign up an individual or entity into a program or organization.

Enrollee: A Customer or Marketing Executive.

Enroller: The Marketing Executive who is listed on the Customer Membership Agreement as the enroller. The Enroller must be the person who introduced the new Customer to Melaleuca and helped him/her become a Customer or who played an active role in the presentation of Melaleuca products or business opportunity to the new Customer.

Executive Status: The highest leadership position ever achieved with Melaleuca.

ExpressLink: A faster, simpler way to shop online.

Immediate Household: Married couples and persons residing in the same home, and with respect to Marketing Executives and Customers which are entities (e.g., corporations, tax exempt entities, trusts, etc.) rather than individuals, Immediate Household means the shareholders, owners, directors, officers, trustees, responsible parties, etc. of such entities and persons married to or residing in the same home with the persons who are the shareholders, owners, directors, officers, trustees, responsible parties, etc. of such entities.

Inactive Customer: A Customer becomes inactive if he/she fails to purchase a minimum of 35 Product Points for two consecutive months.

Inactive Marketing Executive: A Marketing Executive becomes inactive if he/she fails to personally produce the number of Product Points that are required to qualify at his/her Active Status level pursuant to the Compensation Plan for two consecutive months.

Independent Marketing Executive Agreement: The agreement which must be completed, signed, received and accepted by Melaleuca as one of the prerequisites to becoming a Marketing Executive.

Independent Melaleuca Business: The business organization consisting of a Marketing Executive and those persons and entities that purchase Melaleuca products or generate sales of Melaleuca products from which the Marketing Executive is entitled to receive commissions.

Marketing Executive: A person who has an Enroller, has completed, executed and delivered to Melaleuca an Independent Marketing Executive Agreement, has purchased a Business Kit, has at least one Customer and has received his/her first commission check.

Marketing Organization: The Customers and Marketing Executives that comprise the group of individuals or entities from which the Marketing Executive is entitled to receive commissions based upon the collective sales volume of the group and the status of certain Marketing Executives within the group pursuant to the Plan of Compensation.

MelaCom™: Melaleuca's long-distance telephone service as marketed by Melaleuca, regardless of the interexchange carrier for such service.

Melaleuca: Melaleuca, Inc., Melaleuca of Canada, Inc. , and/or Melaleuca of the Caribbean, Inc.

Melaleuca International Sponsorship Program: The program offered by Melaleuca with regard to sponsorship by Marketing Executives in one country of Customers and Marketing Executives in foreign countries where Melaleuca is authorized to do business.

Monthly Business Reports: Reports produced by Melaleuca on a monthly basis and provided to Marketing Executives which contain information relating to the activity of the Marketing Executive's Marketing Organization. The Monthly Business Reports contain trade secret information that is proprietary to Melaleuca.

Official Melaleuca Material: Material in any form which is authorized, published, and disseminated by Melaleuca. This includes, but is not limited to, printed material, audio and video tapes, satellite broadcasts, fax and electronic

communications and Internet communications.

Organization Product Points: The total Product Points attributable to Melaleuca products which a Marketing Executive's Marketing Organization purchased or produced in a calendar month, including the Marketing Executive's Personal Product Points. For each month that a Marketing Executive is enrolled in and is using the MelaCom™ program, his or her Organization Product Points for that month will include Product Points attributable to MelaCom usage by the Marketing Executive's Marketing Organization in that calendar month. For each month that a Marketing Executive has an active Melaleuca Credit Card, his or her Organization Product Points for that month will include Product Points attributable to Melaleuca Credit Card usage by the Marketing Executive's Marketing Organization in that calendar month.

Organization PCs: The total net Preferred Customers in a Marketing Executive's organization in a given month.

PEG Volume: Personal Enrollee Group (PEG) Volume is the total organization Product Point volume of a Marketing Executive's Personal Enrollees in any given month.

Personal Product Points: The total monthly Product Points personally produced by a Marketing Executive.

Personal Customer: A person who purchases product directly from Melaleuca using a Marketing Executive's account number.

Personal Enrollee: An Enroller's Enrollee to whom the Enroller has personally introduced Melaleuca and/or has played an active role in the presentation of Melaleuca products or business opportunity.

Personal Director: A Personal Enrollee with the active status of Director or above.

Personal Sales: Sales which a Marketing Executive makes to a Personal Customer.

Preferred Customer: A Customer who is authorized to purchase products from Melaleuca at Preferred Customer prices and who has committed to purchase each month products totaling at least 35 Product Points.

Product Points: A value assigned to each Melaleuca product or service upon which commissions and bonuses are calculated.

Product Point Production: To produce Product Points a Marketing Executive must create sales to end consumers other than customers in the Marketing Executive's Marketing Organization. These sales must be products the consumer actually desires or needs as opposed to enticing consumers to purchase products in order for the Marketing Executive to qualify for a commission.

Recruit: 1) To attempt to enroll, enlist, or solicit an individual or entity to join a business, program or organization; or 2) to attempt to promote, influence or encourage an individual or entity to join a business, program or organization; or 3) to present, or participate or assist in the presentation of, a business, program, organization or its products. To constitute recruiting, such efforts or attempts may be performed either directly through personal contact or indirectly through a third party.

Statement of Policies: The policies published by Melaleuca, as amended from time to time, which set forth, among other things, the requirements for operating an Independent Melaleuca Business.

Support Team: The Marketing Executives above an individual in a Marketing Organization who have the potential to receive commissions based upon the purchases of such individual.

Tax Exempt Entity Application and Agreement: The addendum to the Independent Marketing Executive Agreement which must be completed by tax exempt entities which are applying to become Marketing Executives.

VFL.com: Melaleuca's vitality website to help track fitness and wellness goals.

Volume Status: All advancements in status of Director II or above require a minimum volume of Organization Product Points. The status corresponding to each required volume in the compensation plan is the Volume Status.