



Policies and Procedures v210415

SECTION 1 - CODE OF ETHICS

AVACEN Medical (hereafter “AVACEN” or the “Company”) has made a commitment to provide the finest sales experience backed by impeccable service to its distributors (“DISTRIBUTOR(s)”), and customers. In turn, the Company expects AVACEN DISTRIBUTORs to reflect that image in their relationships with customers and fellow DISTRIBUTORs.

As an AVACEN DISTRIBUTOR you are expected to operate your business according to the highest standards of integrity and fair practice in your role as an AVACEN DISTRIBUTOR. Failure to comply with the Code of Ethics can result in your termination as an AVACEN DISTRIBUTOR. The Code of Ethics, therefore, states:

As a DISTRIBUTOR:

- ◆ I will conduct my business in an honest, ethical manner at all times.
- ◆ I will make no representations about the income benefits of being a DISTRIBUTOR with AVACEN or the benefits of the AVACEN products other than those contained in officially approved Company literature.
- ◆ I will provide support and encouragement to my customers and other DISTRIBUTORs to ensure that their experience with AVACEN is a successful one.
- ◆ I will contact each of my personal sales customers within 7 – 10 days of placing their order to be sure they have received the product and understand that they should contact me, not AVACEN, should they need assistance with any part of their AVACEN experience including operating their product, using their back-office business center, and customized AVACEN replicated sites.
- ◆ I will motivate and actively work with DISTRIBUTORs in my downline organization to help them build their AVACEN business. I understand that this support is critical to everyone’s success with AVACEN.
- ◆ I will refrain from making income claims, exaggerating my personal income or the income potential in general and will stress to everyone the level of effort and commitment required to succeed in the business.
- ◆ I will not abuse the goodwill of my association with AVACEN to further or promote other business interests (particularly those which may be competitive to AVACEN) without the prior written consent of AVACEN.
- ◆ I will not make disparaging remarks about other products, services, distributors, or companies; likewise, I will not willfully denigrate the activities or personalities of fellow AVACEN DISTRIBUTORs.
- ◆ I will abide by all of the Policies and Procedures of AVACEN as included herein, or as may be amended from time to time.

- ◆ I will not make any payment(s) or promise to pay any prospective or existing DISTRIBUTOR in return for such enrollment, continued enrollment, or team building or recruiting activities with AVACEN.

SECTION 2 - INTRODUCTION

2.1 - Policies and Compensation Plan Incorporated into DISTRIBUTOR Agreement

These Policies and Procedures, in their present form and as amended at the sole discretion of AVACEN, are incorporated into, and form an integral part of, the AVACEN DISTRIBUTOR Agreement. Throughout these Policies and Procedures, when the term “Agreement” is used, it collectively refers to the AVACEN DISTRIBUTOR Application and Agreement Form, these Policies and Procedures and the AVACEN Compensation Plan. These documents are incorporated by reference into the AVACEN DISTRIBUTOR and Agreement (all in their current form and as may be amended by AVACEN).

2.2 - Purpose of Policies

AVACEN is a direct sales company that markets products through DISTRIBUTORs. DISTRIBUTORs have the ability to receive commissions and bonuses by selling AVACEN products (see AVACEN DISTRIBUTOR Compensation Plan). It is important to understand that your success and the success of your fellow DISTRIBUTORs depends on the integrity of those who market our products. To clearly define the relationship that exists between AVACEN and the DISTRIBUTORs, and to explicitly set a standard for acceptable business conduct, AVACEN has established the Agreement. AVACEN DISTRIBUTORs are required to comply with all of the provisions set forth in the Agreement, which AVACEN may amend at its sole discretion from time to time, as well as with all federal, state and local laws governing their AVACEN business 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 document 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 the AVACEN corporate office.

2.3 - Changes to the Agreement

Because laws and the business environment periodically change, AVACEN reserves the right to amend the Agreement, the products offered, the compensation plan, and the prices at the Company’s sole and absolute discretion. By signing the Agreement, DISTRIBUTORs agree to abide by all amendments or modifications that AVACEN elects to make. Amendments shall be effective immediately after publication of notice of amendments. The Company shall provide or make available to all DISTRIBUTORs a complete copy of the amended provisions by one or more of the following methods: (a) posting on the Company’s official website; (b) electronic mail (e-mail); (c) inclusion in Company periodicals; (d) inclusion with commissions or bonus checks; or (e) special

mailings. The continuation of your AVACEN business or your acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

2.4 - Delays

AVACEN 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, government decrees or orders, and acts of God.

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 AVACEN to exercise any right or power under the Agreement or to insist upon strict compliance 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 AVACEN's right to demand exact compliance with the Agreement. Waiver by AVACEN can be affected only in writing by an authorized officer of the Company. AVACEN's waiver of any particular breach by a DISTRIBUTOR shall not affect or impair AVACEN's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other DISTRIBUTOR. Nor shall any delay or omission by AVACEN to exercise any right arising from a breach affect or impair AVACEN's rights as to that or any subsequent breach. The existence of any claim or cause of action of a DISTRIBUTOR against AVACEN shall not constitute a defense to AVACEN's enforcement of any term or provision of the Agreement.

SECTION 3 - BECOMING AN DISTRIBUTOR

3.1 - Requirements to Become a DISTRIBUTOR

To become an AVACEN DISTRIBUTOR, each applicant must:

- 3.1.1 – Pay an Annual \$199 Fee to cover training and marketing tools;
- 3.1.2 – Be at least 18 years of age;
- 3.1.3 – Reside in the 50 United States or other jurisdictions officially opened by the Company;
- 3.1.4 – Have a valid Social Security or Tax ID number;
- 3.1.5 – Successfully pass the AVACEN device DISTRIBUTOR Exam; and
- 3.1.5 – Submit an AVACEN Application and Agreement which is then accepted by the Company.

Newly approved DISTRIBUTORs will receive a personalized e-commerce website, device brochures, online training, and an online certification exam which must be completed with a score of 100 prior to marketing the AVACEN device. DISTRIBUTORs are not eligible to earn or receive any commissions prior to passing the exam.

The Company reserves the right to reject any applications. Applicants may elect to apply to become a DISTRIBUTOR and receive all the benefits of the Compensation plan. See Compensation Plan for full details. Please note, no product purchase is required to become a DISTRIBUTOR.

ZERO TOLERANCE: DISTRIBUTORs hereby represent that they understand that AVACEN has zero tolerance for making misrepresentations or misleading statements when marketing an AVACEN device. The DISTRIBUTOR cannot market or demonstrate the AVACEN device until they have thoroughly read and studied the DISTRIBUTOR exam materials and successfully passed the AVACEN DISTRIBUTOR Exam. The DISTRIBUTOR is not eligible for the compensation plan until they have successfully passed the AVACEN DISTRIBUTOR Exam. DISTRIBUTORs are not permitted to discuss claims of therapeutic value that differ from: (i) AVACEN device User Guide; (ii) AVACEN marketing literature or; (iii) the AVACEN website. In addition, misleading testimonials or suggestions of any Government or FDA endorsement are not permitted. Any misrepresentation or misleading statements, including but not limited to those described above or the use of AVACEN.com content in a separate website will result in immediate termination of this Agreement. All DISTRIBUTORs must use their custom replicated site for all transactions and cannot display AVACEN pricing on any separate website, including all search advertising platforms such as Google.

3.2 - Benefits

Once the Application and Agreement have been accepted by AVACEN, the following benefits are available:

- Market and sell AVACEN products;
- Participate in the AVACEN Compensation Plan (receive bonuses and commissions, if eligible);
- Sponsor other individuals as DISTRIBUTORs into the AVACEN business and thereby, build a marketing organization and progress through AVACEN Compensation Plan;
- Receive periodic AVACEN literature and other AVACEN communications;
- Participate in AVACEN-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- Participate in promotional incentives and programs sponsored by AVACEN for its DISTRIBUTORs.

SECTION 4 - OPERATING AN AVACEN BUSINESS

4.1 - Adherence to the AVACEN Compensation Plan

DISTRIBUTORs must adhere to the terms of the AVACEN Compensation Plan as set forth in official AVACEN literature. DISTRIBUTORs shall not offer the AVACEN opportunity through, or in combination with, any other system, program or method of marketing other than that specifically set forth in official AVACEN literature. DISTRIBUTORs shall not require or encourage others to participate in AVACEN in any manner that varies from the program as set forth in official AVACEN literature. DISTRIBUTORs shall not require or encourage others to execute any agreement or contract other than official AVACEN agreements and contracts in order to become an AVACEN DISTRIBUTOR. Similarly, DISTRIBUTORs shall not require or encourage others to make any purchase from, or payment to, any individual or other entity to participate in the AVACEN Compensation Plan other than those purchases or payments identified in official AVACEN literature. All AVACEN DISTRIBUTORs understand that as a condition to receiving compensation, they must contact any customer or other DISTRIBUTOR that purchased a product from them to confirm that the purchaser is using the device and is happy with their purchase. Such contact must be made within seven (7) to ten (10) days of such purchase.

4.2 - Bonus Buying Prohibited

Bonus buying is strictly and absolutely prohibited. "Bonus buying" includes:

- (a) the enrollment of individuals without their knowledge and agreement and/or without their execution of an Application;
- (b) the fraudulent enrollment of an individual or pet as a DISTRIBUTOR;
- (c) the enrollment or attempted enrollment of non-existent individuals;
- (d) the use of a credit card by or on behalf of a DISTRIBUTOR or customer when the such individual is not the account holder of such credit card;
- (e) purchasing AVACEN products on behalf of another, or under another ID number, to qualify for commissions or bonuses.

4.3 - Business Entities

A Partnership, LLC or Corporation may operate an AVACEN business upon completion of the Application form, and providing on that form in the appropriate space, a Federal tax ID number. However, an individual may not participate in or have any beneficial interest in more than one (1) AVACEN business of any kind. The person signing the application on behalf of a business entity must have the authority of said entity for entering into the transaction. In addition, by signing for as a business entity, you certify that no person with an interest in the business has had an interest in an AVACEN business within six (6) months of the date of signature.

4.4 - Changes to an AVACEN Business

4.4.1 - General

Each DISTRIBUTOR must immediately notify AVACEN of all changes to the information contained in his or her Application and Agreement. Modifications to an existing Agreement can be made by submitting a written request and appropriate supporting documentation to AVACEN.

4.4.2 - Change of Sponsor

To protect the integrity of all marketing organizations and safeguard the hard work of all DISTRIBUTORs, AVACEN does not allow changes in sponsorship for active DISTRIBUTORs. Maintaining the integrity of sponsorship is critical for the success of every DISTRIBUTOR. Accordingly, the transfer of an AVACEN business from one sponsor to another is not permitted.

Exception - A request for a change in sponsor, due to AVACEN error, will be accepted within 30 days of the submission of the original Application and Agreement.

4.4.3 - Cancellation and Re-application

A DISTRIBUTOR may legitimately change organizations by:

a) Voluntarily cancelling his or her AVACEN Agreement and remaining inactive (i.e., no purchases of AVACEN products; no sales of AVACEN products; no sponsoring; no attendance at any AVACEN functions, no participation in any other form of DISTRIBUTOR activity, and no operation of any other AVACEN business for 6 full calendar months.

Following the 6-calendar month period of inactivity, the former DISTRIBUTOR may reapply under a new sponsor. However, the former DISTRIBUTOR will permanently lose any and all right to their former Downline organization. "Downline" shall mean the organization of DISTRIBUTORs that enroll and are placed under any business.

4.5 - Unauthorized Claims and Actions

4.5.1 - Indemnification

Each DISTRIBUTOR is fully responsible for all of his or her verbal and written statements made regarding AVACEN products, services, and the Compensation Plan that are not expressly contained in official AVACEN materials. DISTRIBUTORs agree to indemnify AVACEN and AVACEN's 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 AVACEN as a result of any unauthorized representations or actions. This provision shall survive the termination of the Agreement.

4.5.2 - Income Claims and Marketing

In their enthusiasm to enroll prospective DISTRIBUTORs, some individuals are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power

of network marketing. This is counterproductive because new DISTRIBUTORS may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved.

Moreover, the Federal Trade Commission and the 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 DISTRIBUTORS may believe it is beneficial to provide copies of checks, or to disclose their earnings or others, such approaches have legal consequences that can negatively impact AVACEN as well as the individual making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because DISTRIBUTORS do not have the data necessary to comply with the legal requirements for making income claims, a DISTRIBUTOR may NOT make income projections, income claims or disclose his or her AVACEN income (including, but not limited to, the showing of checks, copies of checks, bank statements or tax records).

When promoting the products and the tremendous opportunity AVACEN offers, DISTRIBUTORS must use only the sales tools and support materials produced by AVACEN. The Company has carefully designed its products, product labels, Compensation Plan and promotional materials to ensure that they are promoted in a fair, truthful manner; that they are substantiated, and the material complies with the legal requirements of federal and state laws. Accordingly, DISTRIBUTORS must not produce their own literature, advertisements, sales tools, promotional materials, Internet Web pages, blogs, and/or social media pages; unless they have received permission from AVACEN. DISTRIBUTORS seeking special permission must email Compliance@AVACEN.com.

4.5.3 – Product Claims

When promoting AVACEN products, DISTRIBUTORS shall not make any verbal or written statement regarding the use—or potential use—of AVACEN products other than those claims contained in official AVACEN materials. DISTRIBUTORS agree to indemnify AVACEN and AVACEN's 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 AVACEN as a result of any such statements made by the DISTRIBUTOR.

4.6 - Conduct at AVACEN Corporate Events

4.6.1 - No Selling or Recruiting at AVACEN Events

Selling and recruiting at official AVACEN corporate events is not permitted. These activities take away from the primary focus of the event and can negatively reflect on the professional image of AVACEN as a company. You may, however, offer a business card and/or Company approved literature.

4.6.2 - No Selling or Recruiting for Other Companies at AVACEN Events

AVACEN DISTRIBUTORS shall not sell any products or recruit for any business during AVACEN events. This restriction most specifically applies to sales and recruitment efforts for any other direct sales or marketing program, regardless of the product category, including those that do not compete with AVACEN's product line.

4.7 - Conflicts of Interest

4.7.1 - Competition Policy

DISTRIBUTORS are free to participate in other network marketing business ventures or marketing opportunities (collectively "network marketing"), with the exception of those products in the same generic category as AVACEN products. DISTRIBUTORS may not display AVACEN products with any other products or services in a fashion that might in any way confuse or mislead a prospective customer, DISTRIBUTOR into believing there is a relationship between the AVACEN and non-AVACEN products or services.

4.7.2 – Non-solicitation

During the term of this Agreement, DISTRIBUTORS may not recruit other AVACEN DISTRIBUTORS or customers for any other network marketing business. Following the cancellation of this Agreement for any reason, and for a period of one year thereafter, a former DISTRIBUTOR may not recruit any AVACEN DISTRIBUTOR, or customer for another network marketing business, with the exception of DISTRIBUTORS who are personally sponsored by the cancelled individual. All parties recognize that because network marketing is conducted through networks of independent contractors dispersed across the entire United States, and business is commonly conducted via the Internet and telephone, an effort to narrowly limit the geographic scope of this non-solicitation provision would render it wholly ineffective. Therefore, the DISTRIBUTORS and Company agree that this non-solicitation provision shall apply to all markets in which AVACEN conducts business.

The term "recruit" means actual or attempted solicitation, enrollment, encouragement or effort to influence in any other way, either directly or through a third party, another AVACEN DISTRIBUTOR or customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity.

4.7.3- Downline Activity (Genealogy) Reports and Non- Disclosure Agreement

Downline Activity Reports, made available for DISTRIBUTOR access and viewing through AVACEN's official website, are considered confidential. The DISTRIBUTOR access to their Downline Activity Reports is password protected. All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to AVACEN. Downline Activity Reports are provided to DISTRIBUTORS in the strictest of confidence and are made available to DISTRIBUTORS for the sole

purpose of providing assistance in working with their Downline Organizations in the development of their AVACEN business. DISTRIBUTORS should use their Downline Activity Reports only to assist, motivate and train their Downline. But for this agreement of confidentiality and nondisclosure, AVACEN would not provide Downline Activity Reports to the DISTRIBUTORS. A DISTRIBUTOR shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- Directly or indirectly disclose the password or other access code to his or her Downline Activity Report;
- Use the information to compete with AVACEN or for any purpose other than promoting his or her AVACEN business;
- Recruit or solicit anyone listed on any report or in any manner attempt to influence or induce anyone listed on any report to alter their business relationship with AVACEN;
- Use or disclose to any person, partnership, association, corporation or other entity any information contained in any Downline Activity Report.

Upon demand by the Company, any current or former DISTRIBUTORS will return the original and all copies of such Downline Activity Reports to the Company.

4.8 - Cross-Sponsoring

Actual or attempted cross-sponsoring is strictly prohibited. "Cross-sponsoring" is defined as the enrollment of an individual or entity that is already a current customer, DISTRIBUTOR of AVACEN, or who has had such an Agreement within the preceding 6 calendar months, within a different line of sponsorship. The use of a spouse or relative's name, a straw man, trade names, assumed names or fictitious ID numbers to circumvent this policy is prohibited. DISTRIBUTORS shall not demean, discredit or defame other DISTRIBUTORS in an attempt to entice an DISTRIBUTOR to become part of the first DISTRIBUTOR's marketing organization. If a prohibited organization transfer occurs, AVACEN shall take disciplinary action against the DISTRIBUTORS who engaged, acquiesced and/or knowingly participated in the improper cross-sponsoring. However, it shall be entirely within AVACEN's discretion where in the genealogical structure, the cross-sponsored organization in question shall be placed or otherwise distributed.

Because equities often exist in favor of both Upline organizations, DISTRIBUTORS WAIVE ANY AND ALL CLAIMS AND CAUSES OF ACTION AGAINST THE COMPANY FOR ITS DECISION REGARDING THE FINAL DISPOSITION OR PLACEMENT OF THE CROSSSPONSORED ORGANIZATION. "Upline" shall mean the organization of DISTRIBUTORS enrolled and placed above any AVACEN business.

4.9 - Errors or Questions

If you have questions about or believe any errors have been made regarding commissions, bonuses, Downline Activity Reports, or charges, you must notify the AVACEN Support Department at commissions@avacen.com, in writing, within 15 days of the date of the purported error or incident in question. AVACEN will not be responsible for any errors, omissions or problems not reported to the Company within 15 days.

4.10 – Sales Aids Optional

Other than the materials provided to all DISTRIBUTORs at the time of enrollment (included with the enrollment fee), DISTRIBUTORs are not required to purchase or carry sales aids. DISTRIBUTORs who do so must make his or her own decision with regard to these matters. To ensure that DISTRIBUTORs are not encumbered with Company Sales Aids, such Sales Aids may be returned to AVACEN upon cancellation pursuant to the terms of Section 8.2.

4.11 - Governmental Approval or Endorsement

No federal or state regulatory agencies or officials approve or endorse any direct selling program. Therefore, DISTRIBUTORs shall not represent or imply that AVACEN or its Compensation Plan have been “approved,” “endorsed” or otherwise sanctioned by any government agency.

4.12 - Holding Applications or Enrollments

DISTRIBUTORs must not manipulate new enrollments or customer orders. All New Applications and Agreements must be sent within 72 hours from the time they are signed by the prospective DISTRIBUTOR.

4.13 - Identification

All DISTRIBUTORs are required to provide their Social Security Number or Federal Tax Identification Number to AVACEN on the Application and Agreement.

Upon enrollment, the Company will provide a unique AVACEN Identification Number to the DISTRIBUTOR by which he or she will be identified. This number will be used to place orders and track commissions and bonuses.

4.14 - Income Taxes

Each DISTRIBUTOR is responsible for paying local, state and federal taxes on any income generated. Every year, AVACEN will provide IRS Form 1099 (non-employee compensation) earnings statement to each U.S. resident who (a) had earnings of over \$600 in the previous calendar year or (b) made purchases during the previous calendar year in excess of \$5,000 wholesale.

4.15 - Independent Contractor Status

DISTRIBUTORS are independent contractors and are not purchasers of a franchise or a business opportunity. The agreement between AVACEN and its DISTRIBUTORS does not create an employer/employee relationship, agency, partnership or joint venture. DISTRIBUTORS shall not be treated as an employee for his or her services or for federal or state tax purposes. All DISTRIBUTORS are responsible for paying local, state and federal taxes due from all compensation earned. DISTRIBUTORS have no authority (expressed or implied) to bind the Company to any obligation. Each DISTRIBUTOR shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Agreement, these Policies and Procedures, and all applicable laws.

The name of AVACEN, AVACEN Medical or AVACEN Global and other names, as may be adopted by AVACEN, are proprietary trade names, trademarks and service marks of AVACEN. As such, these marks are of great value to AVACEN and only to be used by DISTRIBUTORS in an expressly authorized manner. Use of the AVACEN name on any item not produced by the Company is prohibited except as follows: AVACEN Medical DISTRIBUTOR.

DISTRIBUTORS may list themselves as an “AVACEN Medical DISTRIBUTOR” in the residential telephone directory (“white pages”) under their own name. DISTRIBUTORS may not place telephone directory display ads in the classified directory (“Yellow Pages”) using AVACEN’s name or logo.

DISTRIBUTORS may not answer the telephone by saying “AVACEN Medical” or in any other manner that would lead the caller to believe that he or she has reached the corporate offices of the Company.

Advertising is not limited to print media; it also includes internet advertising and other forms of advertising. DISTRIBUTORS are prohibited from using an internet or email address that utilizes the trade name AVACEN Medical or includes AVACEN Global or AVACEN in a portion of the address. It is also prohibited for DISTRIBUTORS to use the AVACEN name on a website (including social media, e.g. Facebook or Instagram) that is not authorized in writing by AVACEN. It is also prohibited for DISTRIBUTORS to place links to unauthorized websites or webpages onto a website or webpage that has not been authorized by AVACEN.

4.16 – Insurance

4.16.1 – Business Insurance Coverage

You may wish to arrange insurance coverage for your business. Your homeowner’s insurance policy may not cover business related injuries or the theft of or damage to your business. Contact your insurance agent to make sure that your business property is protected.

4.17 – International Marketing

Because of critical legal and tax considerations, AVACEN must limit the marketing and enrollment of AVACEN services and the presentation of the AVACEN business to prospective customers, DISTRIBUTORS located within the 50 United States of America and any other jurisdiction officially opened by AVACEN. DISTRIBUTORS are ONLY authorized to do business in the countries in which AVACEN has announced are open for business in official Company literature.

4.18 – Laws and Ordinances

DISTRIBUTORS shall comply with all federal, state and local laws and regulations in the conduct of their businesses. Many cities and counties have laws regulating certain home-based businesses. In some cases, these ordinances are not applicable to DISTRIBUTORS because of the nature of their business. However, DISTRIBUTORS must obey those laws that do apply to them. If a city or county official tells a DISTRIBUTOR that an ordinance applies to him or her, compliance is required.

4.19 - Minors

DISTRIBUTORS shall not enroll or recruit individuals under the age of 18 into the AVACEN program.

4.20 - Actions of Household Members or Affiliated Individuals.

If any member of an DISTRIBUTOR's household, family, or other affiliated individual engages in any activity that, if performed by the DISTRIBUTOR, would violate any provision of the Agreement, such activity will be deemed a violation by the DISTRIBUTOR and AVACEN may take disciplinary action against the DISTRIBUTOR.

4.21 - One AVACEN Business Per Person and Household Restrictions.

A DISTRIBUTOR may operate or have an ownership interest in only one AVACEN business. No individual may have, operate or receive compensation from more than one AVACEN business.

An exception to the one-business-per-person rule will be considered on a case-by-case basis if two existing DISTRIBUTORS become members of the same Family Unit. Requests for exceptions to this policy must be submitted via email in writing to the AVACEN Compliance Department at Compliance@AVACEN.com.

4.22 – Frontloading.

It is Company policy to strictly prohibit the purchase of products in unreasonable amounts solely for the purpose of qualifying for commissions or advancement within the Compensation Plan. All such forms of frontloading or stockpiling are strictly prohibited.

4.23 - Requests for Records

Any request for copies of invoices, agreements, Downline activity reports or other records/reports will require a fee of \$1.00 per page per copy. This fee covers the expense of mailing and time required to research files and make copies of the records.

4.24 - Sale, Transfer or Assignment of AVACEN Business

4.24.1 – Although an AVACEN business is a privately owned, independently operated business, the sale, transfer or assignment of an AVACEN business, and the sale, transfer or assignment of an interest in a Business Entity that owns or operates an AVACEN business, is subject to certain limitations. If a DISTRIBUTOR wishes to sell his or her AVACEN business, or interest in a Business Entity that owns or operates an AVACEN business, the following criteria must be met:

- The selling party must offer AVACEN the right of first refusal to purchase the business on the same terms as agreed upon with a third-party buyer. AVACEN shall have fifteen (15) days from the date of receipt of the written offer from the seller to exercise its right of first refusal.
- The buyer or transferee must be qualified to become a DISTRIBUTOR. If the buyer already operates an AVACEN business, he or she must first terminate his or her AVACEN business, however the six (6) calendar month waiting period may be waived;
- Before the sale, transfer or assignment can be finalized and approved by AVACEN, any debt obligations the selling party has with AVACEN must be satisfied.
- The selling party 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 AVACEN business.

Prior to selling a Business Entity interest, the selling party must via email notify AVACEN's Compliance Department in writing at Compliance@avacen.com and advise of his or her intent to sell AVACEN's business or Business Entity interest. The selling party must also receive written approval from the Compliance Department before proceeding with the sale.

4.25 - Separation of an AVACEN Business

In the event of a dissolution of marriage or legally recognized Domestic Partnership of an AVACEN DISTRIBUTOR, and a spouse or partner, arrangements must be made to assure that any division of the business assets 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 DISTRIBUTORS and the Company, AVACEN may be forced to involuntarily terminate the Agreement.

4.25.1 - During the pendency of a divorce or dissolution, the Company shall treat the business according to the status quo as existed prior to the filing of the divorce or dissolution.

Under no circumstances will the Downline Organization of divorcing spouses be divided. Similarly, under no circumstances will AVACEN split commission and bonus checks between divorcing spouses. AVACEN will recognize only one Downline Organization and will issue only one commission check per AVACEN business per commission cycle. Commission checks shall always be issued to the individual whose name appears on the Agreement.

4.26 - Sponsoring

All active DISTRIBUTORs in good standing have the right to sponsor and enroll others as AVACEN DISTRIBUTORs. Each prospective DISTRIBUTOR has the ultimate right to choose his or her own sponsor. If two parties claim to be the sponsor of the same new applicant, the Company shall regard the first application received by the Company as controlling.

4.27 - Stacking

“Stacking” is strictly prohibited. The term “stacking” includes: (a) violating the one-business-per-household rule and/or (b) enrolling fictitious individuals or entities into the AVACEN Compensation Plan, in an attempt to manipulate the Compensation Plan.

4.28 – Telemarketing/Spam

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices.

Both federal agencies (as well as a number of states) have “do not call” regulations as part of their telemarketing laws. While you may not consider yourself a “telemarketer” in the traditional sense of the word, these regulations broadly define the term “telemarketer” and “telemarketing” so that your inadvertent action of calling someone whose telephone number is listed on the federal “do not call” registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties.

Therefore, DISTRIBUTORs must not engage in telemarketing relative to the operation of their AVACEN businesses. The term “telemarketing” means the placing of one or more telephone calls to an individual or entity to induce the purchase of an AVACEN product or service, or to recruit them for the AVACEN opportunity. “Cold calls” made to prospective customers or DISTRIBUTORs that promote either AVACEN’s products or services or the AVACEN opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a prospective customer or DISTRIBUTOR is permissible under the following situations:

- If the DISTRIBUTOR has an established business relationship with the prospect. An “established business relationship” is a relationship between an DISTRIBUTOR and a prospect based on the prospect’s purchase, rental or lease of goods or services from the DISTRIBUTOR, or a financial transaction between the prospect and the DISTRIBUTOR, within the 18 months immediately preceding the date of a telephone call to induce the prospect’s purchase of a product or service.

- The prospect’s personal inquiry or application regarding a product or service offered by the DISTRIBUTOR within the 3 months immediately preceding the date of such a call.
- If the DISTRIBUTOR receives written and signed permission from the prospect authorizing the DISTRIBUTOR to call. The authorization must specify the telephone number(s) that the DISTRIBUTOR is authorized to call.
- You may call family members, personal friends and acquaintances. An “acquaintance” is someone with whom you have at least a recent first-hand relationship (i.e., you have recently personally met him or her). Bear in mind, however, that if you make a habit of “card collecting” with everyone you meet and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if you engage in calling “acquaintances,” you must make such calls on an occasional basis only and not make this a routine practice.

In addition, DISTRIBUTORS shall not use automatic telephone dialing systems relative to the operation of their AVACEN businesses. The term “automatic telephone dialing system” means equipment which has the capacity to (a) store or produce telephone numbers to be called using a random or sequential number generator and (b) to dial such numbers.

Additionally, DISTRIBUTORS are prohibited from sending spam emails. Spam shall include sending one or more unsolicited email communications to individuals that you do not have a prior relationship with or individuals that have not given you authorization for the transmission of emails. The following are some examples of spam activities that violate this provision:

- Manipulating email headers to disguise the origin of any content sent via email;
- Relaying emails from a third-party server without permission;
- Using “robots” or otherwise using harvested email addresses for the purpose of sending unsolicited emails;
- Uploading, posting, emailing or transmitting the same message or content multiple times.

SECTION 5 – RESPONSIBILITIES OF DISTRIBUTORS

5.1 - Change of Address or Telephone

To ensure timely delivery of products, support materials and commission checks, it is critically important that AVACEN's files are current. DISTRIBUTORS planning to move should email AVACEN corporate office, at support@avacen.com, their new address and telephone numbers. To guarantee proper delivery, two-weeks advance notice to AVACEN is recommended on all changes.

5.2 - Continuing Development Obligations

5.2.1 - Ongoing Training

Any DISTRIBUTOR who sponsors another individual into AVACEN must perform a bona fide assistance and training function to ensure that his or her Downline is properly operating his or her AVACEN business. DISTRIBUTORs must have ongoing contact and communication with the individuals in their Downline Organizations. To assure continued Downline communications, DISTRIBUTORs must immediately inform their personally sponsored Downline should their published phone number or email address change. Examples of such contact and communication may include, but are not limited to, newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail and the accompaniment of Downline DISTRIBUTORs to AVACEN meetings, training sessions, and other functions. Upline DISTRIBUTORs are also responsible to motivate and train new DISTRIBUTORs in AVACEN product knowledge, effective sales techniques, the AVACEN Compensation Plan and compliance with Company Policies and Procedures. DISTRIBUTORs cannot charge for training.

Upon request, every DISTRIBUTOR should be able to provide documented evidence to AVACEN of his or her ongoing fulfillment of the responsibilities of a sponsor. Such evidence must include a call log of at least one conversation monthly with each member of the DISTRIBUTOR's direct downline discussing AVACEN business challenges they faced the prior month and offering to help to overcome them if reasonably possible.

5.2.2 - Increased Training Responsibilities & Override Commissions

As DISTRIBUTORs progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge and understanding of the AVACEN program. They will be called upon to share this knowledge with lesser-experienced individuals within their organization. In return, Manager level and above are eligible to earn Overrides Commissions. Failure to share such information with your organization may result in suspension of Override Commissions.

5.2.3 - Ongoing Sales Responsibilities

Regardless of their level of achievement, DISTRIBUTORs have an ongoing obligation to continue to personally promote sales through the generation of at least one (1) new customer every six months, and through continually servicing their existing customers and DISTRIBUTORs.

5.3 – Non-disparagement

AVACEN wants to provide its DISTRIBUTORs 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 AVACEN corporate offices. While AVACEN welcomes constructive input, negative comments and remarks made in the field by DISTRIBUTORs about the Company, its products or Compensation Plan serve no purpose other than to sour the enthusiasm of other AVACEN DISTRIBUTORs. For this reason, and to set the

proper example for their Downline, DISTRIBUTORs must not disparage, demean or make negative remarks about AVACEN, other AVACEN DISTRIBUTORs, AVACEN's products, the Compensation Plan or AVACEN's directors, officers or employees.

5.4 - Providing Documentation to Applicants

DISTRIBUTORs must provide access to the most current version of the Policies and Procedures and the Compensation Plan to individuals whom they are sponsoring to become DISTRIBUTORs before the applicant signs an Agreement. Copies of most current Policies and Procedures can be found on the AVACEN website at www.AVACEN.com/PnP, or in your business center under the forms section.

5.5 - Reporting Policy Violations

DISTRIBUTORs observing a policy violation by another individual should submit a written report of the violation directly to the attention of the AVACEN Compliance Department at Compliance@avacen.com. Details of the incident(s), such as dates, number of occurrences, persons involved and any supporting documentation, should be included in the report.

SECTION 6 - SALES REQUIREMENTS

6.1 - Product Sales

The AVACEN Compensation Plan is based upon the sale of AVACEN products to end user consumers. DISTRIBUTORs must fulfill personal and Downline organization sales requirements, if any, (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 -Sales of AVACEN products through any on-line websites or services other than your replicated website are prohibited, without the expressed written consent of AVACEN.

6.3 - Territory Restrictions

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

SECTION 7 - BONUSES AND COMMISSIONS

7.1 - Bonus and Commission Qualifications

DISTRIBUTORs must be active and in compliance with the Agreement and these Policies to qualify for bonuses and commissions. So long as a DISTRIBUTOR complies with the terms of the Agreement and these policies, AVACEN shall pay commissions to such DISTRIBUTORs in accordance with the Compensation Plan. The minimum amount for which AVACEN will issue a commission payment is \$125.00. If bonuses and commissions do not equal or exceed \$125.00,

the Company will accrue the commissions and bonuses until they total \$125.00. Commissions will be issued once \$125.00 has been accrued via check, pay card or direct deposit.

7.2 - Commission Payments and Promotions

7.2.1 - Payments, Calculations, and Bonuses

Commissions will be mailed out in accordance with the Compensation Plan. Commissions will be calculated according to the level for which a DISTRIBUTOR actually satisfied all of the requirements according to the Compensation Plan rather than the highest rank or title achieved. Commission reports will be provided to DISTRIBUTORS on-line, via individual password protected web access.

7.2.2 - Promotions

Promotions are determined based on business organization and sales activity for each applicable period.

7.3 - Adjustment to Bonuses and Commissions

7.3.1 - Adjustments for Returned Products

DISTRIBUTORS receive bonuses and commissions based on the actual sale of products. When a product is returned and a refund is authorized by the Company, the bonuses and commissions attributable to the refunded 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 DISTRIBUTORS who received bonuses and commissions on the sales of the refunded product(s). Such commissions and bonuses must be repaid within ninety (90) days. AVACEN will first use commissions due for repayment and then the DISTRIBUTORS credit card on file. If those sources prove insufficient AVACEN will invoice DISTRIBUTOR for immediate payment.

7.3.2 – Adjustments for Wholesale Transactions

Any DISTRIBUTOR may present wholesale opportunities to AVACEN for consideration. These transactions are identifiable by significant future device orders and the need to discount the MSRP and/or the requirement of the customer to not be associated with a direct marketing company commission plan. Should AVACEN determine that it would be in the best interest of the originating DISTRIBUTOR and/or AVACEN for product branding (which may benefit all DISTRIBUTORS) the published commission plan may be modified. Such modification will in the sole discretion of AVACEN and reflect the amount of work done by the originating DISTRIBUTOR and the amount of the price discount. Such modification may include the modification or elimination of normal pay line participation.

7.4 - Unclaimed Commissions and Credits

7.4.1 - DISTRIBUTORs must deposit or cash commission and bonus checks within six months from their date of issuance. A check that remains uncashed after six months will be void. There shall be a \$25.00 charge for reissuing a check. These charges shall be deducted from the balance owed to the DISTRIBUTOR.

7.5 - Reports

All information provided by AVACEN in online or telephonic Commission Reports, including but not limited to personal and group sales volume (or any part thereof), and 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; and credit card and electronic check charge-backs, the information is not guaranteed by AVACEN or any persons creating or transmitting the information. All personal and group sales volume information is provided "as is" without warranties, expressed 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 non-infringement.

To the fullest extent permissible under applicable law, AVACEN and/or other persons creating or transmitting the information will in no event be liable to any DISTRIBUTORs 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 AVACEN 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, AVACEN 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 AVACEN's online 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 AVACEN's online reporting services and your reliance upon the information.

SECTION 8 - RETURNS AND SALES AIDS REPURCHASE

8.1 - Retail Sales and Customer Returns

Retail sales to the customer are the foundation of the AVACEN business. The entire commission structure is based upon volume of retail sales referred by the individual DISTRIBUTORs as well as their entire organization.

AVACEN offers all customers (and new DISTRIBUTORS that have purchased a product for their own personal use) a conditional money back guarantee on product purchases (see www.avacen.com/guarantee). Commissions will not be considered earned until 5 days after the expiration of the guarantee. Any product returns or refunds will result in an adjustment or clawback of any commissions paid to DISTRIBUTORS as a result of the returned or refunded product(s). See 7.3.1

8.2 Sales Aids Repurchase

DISTRIBUTORS may cancel the Agreement within three (3) days of execution and receive a full refund of all enrollment fees and any voluntary inventory or sales aids purchases. Shipping fees are not refundable.

After the three (3) day rescission period, a DISTRIBUTOR may still cancel the Agreement and return any unused inventory or sales aids for a refund (shipping fees are not refundable). DISTRIBUTORS may only return inventory or sales aids that he or she personally purchased from AVACEN (purchases from others are not subject to refund). Any returned inventory or sales aids must be in unused, resalable condition. Sales aids and inventory are only available for a refund if the item(s) were purchased by the DISTRIBUTOR within the year prior to the date of cancellation. Upon Company's receipt of the unused, resalable sales aids and/or inventory, the DISTRIBUTOR will be reimbursed ninety percent (90%) of the original purchase price(s). Shipping charges are not refundable. If the purchases were made through a credit card, the refund will be credited back to the same account if possible.

8.2.1 - A Montana resident may cancel his or her Agreement within fifteen (15) days from the date of enrollment and may return his or her inventory and/or sales aids for a full refund within such time period.

All inventory or sales aids to be returned for refund under these provisions must be approved in advance of shipment to AVACEN by requesting a Return Merchandise Authorization (RMA) code from the AVACEN Customer Service Department at RMA@avacen.com.

SECTION 9 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

9.1 - Disciplinary Sanctions

Violation of the Agreement, these Policies and Procedures or any illegal, fraudulent, deceptive or unethical business conduct by a DISTRIBUTOR may result, at AVACEN's discretion, in one or more of the following corrective measures:

- Issuance of a written warning or admonition;
- Requiring the DISTRIBUTOR to take immediate corrective measures;
- Placement on probation;

- Imposition of a fine, which may be withheld from bonus and commission checks;
- Loss of rights to one or more bonus and commission checks;
- The withholding of all or part of bonuses and commissions during the period that AVACEN is investigating any conduct allegedly in violation of the Agreement. If a DISTRIBUTOR's business is canceled for disciplinary reasons, they will not be entitled to recover any commissions withheld during the investigation period;
- Suspension for one or more pay periods;
- Involuntary termination of the offender's Agreement;
- Any other measure expressly allowed within any provision of the Agreement or that AVACEN deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the policy violation or contractual breach; or
- In situations deemed appropriate by AVACEN, the Company may institute legal proceedings.

9.2 - Grievances and Complaints

When an DISTRIBUTOR has a grievance or complaint with another DISTRIBUTOR regarding any practice or conduct in relationship to their respective AVACEN businesses, the complaining party 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 Company. The Company will review the facts and determine if a policy violation has occurred and take appropriate action.

9.3 - Arbitration

Any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association or other recognized professional arbitration service, under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. DISTRIBUTORS waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in the County of San Diego, California, unless the laws of the state in which a DISTRIBUTOR resides expressly require the application of its laws, in which case the arbitration shall be held in the capital of that state. All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions, with a strong preference being an attorney knowledgeable in the direct selling industry, selected from the panel as the American Arbitration Association rules provide. The prevailing party shall be entitled to receive from the losing party, OR each party to the arbitration shall be responsible for its own, costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

Nothing in these Policies and Procedures shall prevent AVACEN from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction or other relief available to safeguard and protect AVACEN's interest prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

9.4 - Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside in San Diego County, State of California. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of California shall govern all other matters relating to or arising from the Agreement.

9.4.1 - Louisiana Residents: Notwithstanding the foregoing, Louisiana residents may bring an action against the Company with jurisdiction and venue as provided by Louisiana law.

SECTION 10 - INACTIVITY AND CANCELLATION

10.1 - Effect of Cancellation

So long as a DISTRIBUTOR complies with the terms of the Agreement (and these Policies and Procedures), AVACEN shall pay commissions to such individual in accordance with the Compensation Plan. Bonuses and commissions constitute the entire consideration for all efforts in generating sales and all activities related to generating sales (including building a Downline Organization). Except as provided for in 10.3.4 below, following termination for Voluntary or Involuntary termination the Agreement (these methods are collectively referred to as "termination"), the former DISTRIBUTOR shall have no right, title, claim or interest to the marketing organization that he or she operated, or any commission or bonus from the sales generated by the organization. A DISTRIBUTOR whose business is terminated will lose all rights as a DISTRIBUTOR. This includes the right to sell AVACEN products and services and the right to receive future commissions, bonuses or other income resulting from the sales and other activities of the former Downline sales organization. In the event of termination, DISTRIBUTORs 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 termination, the former DISTRIBUTOR shall not hold himself or herself out as an AVACEN DISTRIBUTOR. Any individual terminated shall receive commissions and bonuses only due on or before the date of cancellation/termination (less any amounts withheld during an investigation preceding an involuntary termination).

10.2 - Involuntary Termination

A violation of any of the terms of the Agreement, including any amendments that may be made by AVACEN in its sole discretion, may result in the involuntary termination of the Agreement. Cancellation shall be effective on the date on which written notice is delivered via email or tracked delivery service such as FedEx, UPS or USPS Priority Mail to the DISTRIBUTOR's last known address, or to his or her attorney, or when the DISTRIBUTOR receives actual notice of termination, whichever occurs first.

10.3 - Voluntary Termination

10.3.1 A DISTRIBUTOR has a right to cancel, at any time, regardless of reason. Termination must be submitted in writing to the Company at its principal business address. The written notice must include the individual's signature, printed name, address and AVACEN ID number. DISTRIBUTORS who have resigned may re-apply with AVACEN after 6 months.

10.3.2 Non-payment of the annual renewal fee will be considered Voluntary Termination and written notice is not required.

10.3.3 Zero device sales by DISTRIBUTOR for six (6) continuous months will be considered Voluntary Termination and written notice is not required.

10.3.4 You have 60 days to cure non-payment or zero device sales. During the cure period you will not be eligible to earn commissions.

10.4- Complete Agreement

These Policies and Procedures, any and all modifications made by the Company, along with the Application, Terms and Conditions and the Compensation Plan make up the entire agreement.