



Policies and Procedures

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Section 1 – Purpose of Policies and Procedures

LLR INC. has developed the following guidelines, policies and procedures to provide the following benefits:

1. Establish Company policy and define the contractual relationship between the Company and its Independent Fashion Consultants.
2. Help each Independent Fashion Consultant understand how to develop and promote their own business in an ethical, safe, effective environment.
3. Provide an equal opportunity for all Independent Fashion Consultants to build a successful business.

1.1 Policies and Procedures incorporated into Independent Fashion Consultant Agreement

These Policies and Procedures, in their present form and as amended from time to time at the sole discretion of LLR INC. (“LLR or the Company”) are incorporated into and form an integral part of, The LLR Independent Fashion Consultant Agreement. Throughout these Policies and Procedures, when the term “Agreement” is used, it collectively refers to the LLR Independent Fashion Consultant Agreement, these Policies and Procedures, and the LLR Leadership Bonus Plan. These Policies and Procedures and the Leadership Bonus Plan are incorporated by reference into the Independent Fashion Consultant Agreement. It is the responsibility of each Independent Fashion Consultant to read, understand, and adhere to these Policies and Procedures as they are now and as they may be revised. It is the Independent Fashion Consultant’s responsibility to be aware of the most current version of these documents.

1.2 Purpose of Policies

LLR is a direct sales company that markets its products through Independent Fashion Consultants. It is important that each Independent Fashion Consultant understands that their opportunity for success can be affected by the actions and integrity of all Independent Fashion Consultants and that each Independent Fashion Consultant is required to comply with all of the terms and conditions set forth in this document as well as all federal, state, and local laws governing the operation of their business. As it is not possible in this document to anticipate and address every possible situation that might arise each Independent Fashion Consultant agrees to always conduct their actions with honesty, integrity and a concern for the best interest of their customers, their fellow Independent Fashion Consultants, and the Company.

1.3 Changes to the Agreement

Because federal, state and local laws as well as the business environment may change from time to time LLR reserves the right to amend the Agreement and to adjust pricing and product

offering at its sole and absolute discretion. Amendments shall be effective thirty (30) days after publication of notice that the Agreement has been modified. Amendments shall not apply retroactively to conduct that occurred prior to the effective date of the amendment. The Company shall notify Independent Fashion Consultants of any such amendments by any of the following: Posting on the official Company web site, e-mail, conference calls, Company-sanctioned public meetings, or special mailings. Once notified a Independent Fashion Consultant may accept or reject any amendments. If they elect to reject them, their Agreement will be cancelled and they will no longer be eligible to receive commission or bonus payments or to purchase LLR products directly from the Company. If after notice of amendments a Independent Fashion Consultant continues to purchase or sell Company products, accept commission or bonus payments, or enroll new Independent Fashion Consultants, such actions shall be deemed acceptance of any amendments.

1.4 Severability

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

1.5 Waiver

The Company never relinquishes its right to insist on strict compliance with the Agreement. Failure of LLR to exercise any right or power under the Agreement, or to insist upon strict compliance of any portion of the Agreement shall not constitute a waiver of its right at any time to insist on such compliance. Waiver of LLR's rights can be effected only in writing by one or more Company executives. LLR's waiver of any particular breach shall not impair or affect its rights in regard to any subsequent breach, nor shall it affect in any way its rights or obligations in relation to any breach by other Independent Fashion Consultants. The existence of any claim or cause of action of a Independent Fashion Consultant against LLR shall not constitute a defense to LLR's enforcement of any term or provision of the Agreement.

Section 2 – Becoming a Independent Fashion Consultant

2.1 Requirements to become a Independent Fashion Consultant

An individual or a business entity may become a LLR Independent Fashion Consultant by complying with the following:

1. Be a minimum of Eighteen years of age;
2. Have a valid Social Security or Federal Tax ID number;

3. Submit a properly executed LLR Independent Fashion Consultant Agreement;
4. Read and agree to adhere to LLR Policies and Procedures; and
5. Purchase an initial inventory of LLR products as specified in the LLR Fashion Independent Fashion Consultant Business Overview.

LLR reserves the right to accept or reject any Independent Fashion Consultant Agreement for any reason or for no reason.

Married couples, domestic partnerships, or common-law couples (collectively referred to herein as “spouses”) who wish to become LLR Independent Fashion Consultants must be jointly sponsored as one LLR business. Spouses, regardless of whether one or both are signatories to the Independent Fashion Consultant Agreement, may not own or operate any other LLR business, either individually or jointly, nor may they participate directly or indirectly (as a shareholder, partner, trustee, trust beneficiary, or have any other legal or equitable ownership) in the ownership or management of another LLR business in any form.

2.2 Independent Fashion Consultant Benefits

Once an Independent Fashion Consultant Application and Agreement has been accepted by LLR, the benefits of the Leadership Bonus Plan and the Agreement are available to the new Independent Fashion Consultant. These benefits include the right to:

1. Purchase LLR products for resale to customers;
2. Participate in the LLR Leadership Bonus Plan (receive bonuses, if eligible);
3. Sponsor others as Independent Fashion Consultants and thereby build a Sales Team;
4. Receive periodic LLR literature and other LLR communications;
5. Participate in LLR-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges if applicable; and
6. Participate in promotional and incentive contests and programs sponsored by LLR for its Independent Fashion Consultants.

2.3 Ethical Requirements

Each Independent Fashion Consultant agrees to adhere to the following:

1. Conduct themselves and their business operations in a legal, moral, honest and ethical manner at all times.
2. Avoid actions that could result in conflict with other Independent Fashion Consultants or customers.
3. Honestly present the product and income opportunities.
4. Speak well of LLR, other LLR Independent Fashion Consultants and our competitors.
5. Focus on building business through relationship building and superior customer service.
6. Abide by product guaranty and return policies.
7. Follow incentive guidelines for your party Hostesses.
8. Conduct your business in such a way that strengthens the LLR brand and improves the opportunity for all Independent Fashion Consultants.

2.4 Term and Renewal of the Agreement

The term of the Agreement is one year from the date of its acceptance by LLR (subject to prior termination as provided herein). The Agreement shall thereafter automatically renew for successive one year terms unless either party, at least 30 days prior to the annual renewal date, notifies the other party in writing that it does not wish to renew the Agreement.

2.5 Business Entities

A Corporation, Limited Liability Company, Partnership or Trust may apply to be a LLR Independent Fashion Consultant by submitting a copy of its organizational documents to LLR along with a properly executed Independent Fashion Consultant Agreement, a properly completed Business Entity Registration Form, and a properly completed IRS Form W-9. The Agreement must be signed by all shareholders, members, partners, trustees or owners or there must be a legally executed Power of Attorney designating an individual authorized to act in behalf of the business entity. The business entity and its shareholders, members, managers, partners, trustees, or other parties with any ownership interest in, or management responsibilities for, the Business Entity (collectively "Affiliated Parties") are individually, jointly and severally liable for any indebtedness to LLR, compliance with the Agreement, and all other obligations to LLR.

A Independent Fashion Consultant who enrolled under his or her own name may change status to a business entity by complying with the requirements of the above paragraph. If a business entity is dissolved this Agreement shall be considered canceled and null and void and no individual member of the prior entity shall have any claim to any downline organization or any

other Independent Fashion Consultant rights conferred by this agreement to the business entity.

2.6 Independent Contractor Status

Independent Fashion Consultants are independent contractors, not employees of the Company. Independent Fashion Consultants are not purchasing a Franchise or Business Opportunity. The Agreement between LLR and its Independent Fashion Consultants does not create an employer/employee relationship, agency, partnership or joint venture between the Independent Fashion Consultant and the Company. An Independent Fashion Consultant shall not be treated as an employee for federal, state or local tax purposes. Each Independent Fashion Consultant is responsible for paying all applicable local, state and federal taxes due from all income earned as an Independent Fashion Consultant of the Company as well as any sales tax, business license or any other taxes or fees required by any governing agency which has a lawful right to levy such taxes or fees. LLR will provide its best efforts to maintain services and systems to assist in the collecting and remitting of sales taxes on behalf of each Independent Fashion Consultant. Independent Fashion Consultants have no authority (expressed or implied) to bind the Company to any obligation. Each Independent Fashion Consultant shall establish his or her own goals, inventory levels, working hours and methods of sale, so long as he or she complies with the terms of the Agreement and all applicable laws.

Section 3 – Operating your business

3.1 Sales Policy

LLR is a Home Party based business. All sales should be done through hosted home parties or Pop-Up Boutiques or person to person from the Independent Fashion Consultant to the consumer. One-time boutiques or trade shows may be allowed with written permission from LLR. In the case of multiple Independent Fashion Consultants wanting to participate in the same show every effort shall be made by the Independent Fashion Consultants to work together and share the costs and benefits of the show. Independent Fashion Consultants who have worked a particular show or boutique in the past will be given preference in rebooking that event. Commerce websites, retail stores, or selling wholesale to third parties is not allowed. Selling to contacts made through social media such as Facebook, Twitter, Instagram, Pinterest, Google + etc. is allowed, however your presence in those media must be in compliance with the Agreement (including these Policies and Procedures) and the LLR Branding Guidelines.

Independent Fashion Consultants agree that maintaining the perceived value of LLR products in the marketplace as well as providing as level a playing field as possible is beneficial for all Independent Fashion Consultants. LLR has established its suggested retail prices in an effort to maintain the value of LLR products in the marketplace as well as to provide the opportunity for healthy retail profits for all Independent Fashion Consultants. Selling LLR products at less than the suggested retail prices does damage to both of these goals. While a Independent Fashion

Consultant may sell LLR products at any price he or she chooses, in order to protect the value of the LLR brand and to protect the retail opportunity for all Independent Fashion Consultants, the Company encourages all Independent Fashion Consultants to adhere to the pricing structure that it has established. Further, where advertising by Independent Fashion Consultants is permitted (see Sections 3.5 and 3.12.11 below), Independent Fashion Consultants agree that they will not advertise LLR products at prices less than the suggested retail prices as established by LLR and published in official LLR materials.

3.2 Commercial Outlets, Swap Meets, Flea Markets, etc.

Independent Fashion Consultants may not sell LLR products from a commercial outlet, nor may Independent Fashion Consultants display or sell LLR products or literature in any retail or service establishment. Online auction and/or sales facilitation websites, including but not limited to eBay and Craig's List constitute Commercial Outlets, and may not be used to sell LLR products.

Independent Fashion Consultants may not sell LLR products at garage sales, swap meets, flea markets or other venues that might negatively impact the perceived value of the LLR brand.

3.3 Fundraising Policy

As a company, LLR encourages Independent Fashion Consultants to be good citizens and active in their communities. To this end, LLR may, at its discretion, participate with Independent Fashion Consultants who contribute to certain charitable organizations. LLR will support most fundraisers that Independent Fashion Consultants deem worthwhile if the proper steps are taken to notify LLR prior to the event. LLR maintains sole discretion as to which fundraisers will be approved. LLR's participation is defined by its Fundraising Policy, published separately and updated from time to time.

If you would like LLR to consider participating in your fundraiser, send a detailed email to Independent Fashion Consultant Support describing your fundraiser, the name of the business or foundation the funds are being raised for, and the date of the fundraiser. The Company will contact you to inform you of its decision regarding participation.

If the Company chooses to participate in your fundraiser, sell your products either at the fundraiser or at parties clearly promoting the charitable organization that you are raising funds for. **NOTE: Please follow any rules created by the organization regarding the use of their name and promoting/fundraising for them. LLR will not be held liable for any breaches in organizational policy. Note further that it is the individual Independent Fashion Consultant's responsibility to comply with any applicable state laws regarding cause-related marketing or charitable co-venturers.**

Once the fundraiser has finished, send a copy of the detailed inventory list showing what was sold and proof of your payments / contributions to the fundraiser to the attention of

Accounting at fundraisers@lularoe.com along with the name and address of the organization. **(Please note, LLR will not reimburse any Independent Fashion Consultant for payments already made. LLR will participate as specified in the Fundraising Policy.)**

LLR reserves the right to modify its participation at its sole discretion and to terminate or modify this matching program at any time.

3.4 Customer Notice of Rescission and Sales Receipts

Federal and state law requires that Independent Fashion Consultants notify their retail customers that they have three business days (5 business days for Alaska residents / 15 business days for North Dakota residents age 65 or older) within which to cancel their purchase and receive a full refund upon return of the products in substantially as good condition as when they were delivered. Saturday is a business day, Sundays and legal holidays are not business days. Independent Fashion Consultants **MUST** verbally inform their customers of this right.

All customer purchases must be processed through “Audrey,” the LLR order processing and point of sale purchase system. Among other things, this system insures that customers are provided with notice of their cancellation rights under state and federal laws. These notices, together with the customer’s sales receipt will be automatically emailed to the customer, based on the email address that the customer provides to the Independent Fashion Consultant at the time of sale.

When an Independent Fashion Consultant makes a sale to a retail customer who cancels or requests a refund within the applicable period, the Independent Fashion Consultant must promptly refund the customer's money as long as the products are returned to the Independent Fashion Consultant in substantially as good condition as when received. Independent Fashion Consultants must verbally inform customers of their right to rescind a purchase or an order within three business days (5 days for Alaska residents/15 business days for North Dakota residents age 65 or older). All retail customers are provided with an official LLR sales receipt at the time of the sale by email. The receipt provides the customer with written notice of his or her rights to cancel the sales agreement.

3.5 Advertising

All Independent Fashion Consultants shall safeguard and promote the good reputation of LLR and its products. The marketing and promotion of LLR, the LLR opportunity, and LLR products must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

When promoting the LLR products and/or the LLR opportunity, Independent Fashion Consultants must use the sales aids, business tools and support materials produced by LLR. The Company has carefully designed its promotional materials to ensure that both the products and opportunity are promoted in a fair and truthful manner, that they are substantiated, and that the materials comply with the legal requirements of federal and state laws.

Accordingly, Independent Fashion Consultants may only advertise or promote their LLR business using approved tools, templates or images acquired through LLR. No approval is necessary to use these approved tools. If an Independent Fashion Consultant wishes to design his or her own online or offline marketing materials of any kind, the proposed designs must be submitted to Independent Fashion Consultant Support who will coordinate approvals and consideration and inclusion in the template/image library. Unless the Independent Fashion Consultant receives specific written approval from LLR to use such tools, the request shall be deemed denied. Go to your Back Office for guidelines and to access the library.

LLR further reserves the right to rescind approval for any sales tools, promotional materials, advertisements, or other literature, and Independent Fashion Consultants waive all claims for damages or remuneration arising from or relating to such rescission.

3.6 Trademarks and Copyrights

The name “LuLaRoe” and other names as may be adopted by LLR are proprietary trade names, trademarks and service marks of LLR (collectively “marks”). As such, these marks are of great value to LLR and are supplied to Independent Fashion Consultants for their use only in an expressly authorized manner. LLR will not allow the use of its trade names, trademarks, designs, or symbols, or any derivatives of such marks, by any person, including LLR Independent Fashion Consultants, in any unauthorized manner without its prior, written permission.

The content of all Company sponsored events is copyrighted material. Independent Fashion Consultants may not produce for sale or distribution any recorded Company events and speeches without written permission from LLR. Nor may Independent Fashion Consultants reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

As an Independent Fashion Consultant, you may use the LuLaRoe name in the following manner

Independent Fashion Consultant’s Name
LuLaRoe Independent Fashion Consultant

Example:

Alice Smith
LuLaRoe Independent Fashion Consultant

Except as specifically provided herein, Independent Fashion Consultants may not use the name “LuLaRoe” in any form in a team name, a tagline, an external website name, a personal website address or extension, in an e-mail address, as a personal name, or as a nickname. For example, an Independent Fashion Consultant may not secure the domain name www.buylularoe.com, nor may an Independent Fashion Consultant create an email address such as

LuLaRoesales@hotmail.com. For permissible uses of the LuLaRoe name in email addresses and social media names/aliases, see Section 3.12.4 below. Additionally, an Independent Fashion Consultant may only use the phrase *LuLaRoe Independent Fashion Consultant* in telephone greetings or on an answering machine to clearly separate the Independent Fashion Consultant's independent LLR business from LLR.

3.7 Unsolicited Emails

Independent Fashion Consultants agree that they will not send unsolicited emails regarding LLR products or the LLR opportunity unless such emails strictly comply with applicable laws and regulations including, without limitation, the federal CAN SPAM Act. Any email sent by an Independent Fashion Consultant that promotes LLR, the LLR opportunity, or LLR products and services must comply with the following:

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

LLR may periodically send commercial emails on behalf of Independent Fashion Consultants. By entering into the Independent Fashion Consultant Agreement, Independent Fashion Consultant agrees that the Company may send such emails and that the Independent Fashion Consultant's physical and email addresses will be included in such emails as outlined above. Independent Fashion Consultants shall honor opt-out requests generated as a result of such emails sent by the Company.

3.8 Unsolicited Faxes

Independent Fashion Consultants may not send unsolicited faxes promoting the LLR products or the LLR opportunity. For purposes of this policy, an unsolicited fax is a fax transmission sent to any person without that person's express invitation or consent.

3.9 Telemarketing

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have “do not call” regulations as part of their telemarketing laws. Although LLR does not consider Independent Fashion Consultants to be “telemarketers” in the traditional sense of the word, these government regulations broadly define the term “telemarketer” and “telemarketing” so that your inadvertent action of calling someone whose telephone number is listed on the federal “do not call” registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties.

Therefore, Independent Fashion Consultants must not engage in telemarketing in the operation of their LLR businesses. The term “telemarketing” means the placing of one or more telephone calls to an individual or entity to induce the purchase of a LLR product or service, or to recruit them for the LLR opportunity. “Cold calls” made to prospective customers or Independent Fashion Consultants that promote either LLR’s products or services or the LLR opportunity constitute telemarketing and are prohibited.

Independent Fashion Consultants shall not use automatic telephone dialing systems or software relative to the operation of their LLR businesses. Independent Fashion Consultants shall not place or initiate any outbound telephone call to any person that delivers any pre-recorded message (a “robocall”) regarding or relating to the LLR products, services or opportunity.

3.10 Telephone and Online Directory Listings

An Independent Fashion Consultant may list herself or himself as a “LuLaRoe Independent Fashion Consultant” or “LLR Independent Fashion Consultant” in the white or yellow pages of the telephone directory, or with online directories, under her or his own name. Independent Fashion Consultants may not place telephone or online directory display ads using the LuLaRoe name or logo. Independent Fashion Consultants may not answer the telephone by saying “LuLaRoe,” “LuLaRoe Incorporated,” or in any other manner that would lead the caller to believe that he or she has reached corporate offices of LLR. If an Independent Fashion Consultant wishes to post his or her name in a telephone or online directory, it must be listed in the following format:

Independent Fashion Consultant's Name
LuLaRoe Independent Fashion Consultant

3.11 Television and Radio Advertising

Independent Fashion Consultants may not advertise on television or radio except with LLR’s express written permission.

3.12 Online Conduct

3.12.1 Independent Fashion Consultant Replicated Websites

Independent Fashion Consultants are provided with a replicated website by LLR, from which they can take orders, enroll new Independent Fashion Consultants, and manage their independent LLR businesses. Independent Fashion Consultants may use only LLR replicated websites to promote their LLR business, and may not create their own websites to directly or indirectly promote LLR's products, services, or the LLR opportunity.

Independent Fashion Consultant Replicated Websites will include shopping cart through which their customers may place orders for LLR products. Independent Fashion Consultants will not be able to add their own inventory to the shopping cart.

Independent Fashion Consultants may not alter the content, branding, artwork, look, or feel of their Replicated Websites, and may not use their Replicated Websites to promote, market or sell non-LLR products, services or business opportunities. Specifically, a Independent Fashion Consultant may not alter the look (placement, sizing etc.) or functionality of the following:

- The LLR Independent Fashion Consultant Logo
- The Independent Fashion Consultant's Name
- LLR Corporate Website Redirect Button
- Artwork, logos, or graphics
- Original text and content.

LLR reserves the right to receive analytics and information regarding the usage of your website.

The URL for all LLR Replicated websites will be www.<first name><last name>.mylularoe.com, for example www.sallysmith.mylularoe.com. In the event two or more Independent Fashion Consultants have the same first and last names, additional identifiers will be added to distinguish between such Independent Fashion Consultants' Replicated Websites.

3.12.2 Independent Websites Not Permitted

Independent Fashion Consultants agree that their online promotion of the LLR products and opportunity shall be limited to use of the official LLR Replicated Websites, approved banner ads and links, and via social media as set forth herein. Independent Fashion Consultants agree that they may not create, develop, or publish independent websites to promote either the LLR products or the LLR opportunity.

3.12.3 Links and Banner Ads

Independent Fashion Consultants may place links or banner ads on independent websites that link to their LLR Replicated Websites. All such links and banner ads must be obtained from LLR. Approved links or banner ads may be downloaded from your Back-Office. When using links or banner ads to direct traffic to your Replicated Website, it must be evident from a combination of the link or banner ad and the surrounding context that the link or banner ad will be resolving

to your Replicated Website. Attempts to mislead web traffic into believing they are going to the LLR corporate site, when in fact they *land* at an Independent Fashion Consultant's site will not be allowed. The determination as to what is *misleading* or what constitutes a *reasonable reader* will be at LLR's sole discretion.

Banner ads and links may not be placed on websites that are not aligned with LLR's values or on websites for products that are competitive with LLR products. In no event may a LLR banner ad or link be placed on any website that:

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

3.12.4 Domain Names, Email Addresses, and Online Aliases

Independent Fashion Consultants shall not use or register "LuLaRoe" or any of LLR's trademarks, product names, or any derivative thereof, for any Internet domain name. If a Independent Fashion Consultant registers an Internet domain name (URL) that contains any of LLR's trademarks or a derivative thereof, the Independent Fashion Consultant agrees that he or she will immediately assign such registration to LLR upon demand and at no charge to LLR.

Additionally, an Independent Fashion Consultant cannot use or register any domain name that could cause confusion, or be misleading or deceptive, in that they cause individuals to believe or assume that the website accessible through the URL is the property of LLR.

Independent Fashion Consultants may register email addresses and social media names or aliases that include the LuLaRoe name only if the email address or social media name contains the term "lularoe" and is followed, or preceded, by the Independent Fashion Consultants first and last name, in that order. For example, an Independent Fashion Consultant named Sally Smith could register the email address lularoesallysmith@gmail.com or sallysmithlularoe@gmail.com, but could not register lularoesally@gmail.com or sallylularoe@gmail.com. Similarly, he or she could set up his or her Facebook account under facebook.com/lularoesallysmith, but not as facebook.com/lularoesally. Likewise, he or she could set up his or her Instagram handle as @lularoesallysmith but not as @lularoesally.

3.12.5 Online Classifieds

Independent Fashion Consultants may not use online classifieds (including Craigslist) to list, sell

or retail LLR products. Independent Fashion Consultants may use online classifieds (including Craigslist) for prospecting, recruiting, sponsoring and informing the public about the LLR business opportunity, provided LLR-approved templates/images are used. These templates will identify the Independent Fashion Consultant as a LLR Independent Fashion Consultant.

3.12.6 eBay / Online Auctions

LLR's products and services may not be listed on eBay or other online auctions, nor may Independent Fashion Consultants enlist or knowingly allow a third party to sell LLR products on eBay or other online auction.

3.12.7 Online Retailing

Independent Fashion Consultants may not list or sell LLR products on any online retail store or ecommerce site or platform (including an e-commerce site created or operated by an Independent Fashion Consultant) such as Amazon, AliBaba, eBay Stores, etc. Nor may an Independent Fashion Consultant enlist or knowingly allow a third party to sell LLR products on any online retail store or ecommerce site.

3.12.8 Spam Linking (Blog Spam)

Spam Linking related to the LLR opportunity or LLR products is prohibited. Spam linking is defined as multiple consecutive submissions of the same or similar content into blogs, wikis, guest books, websites or other publicly accessible online discussion boards or forums. This includes blog spamming, blog comment spamming and/or spamdexing. Any comments that an Independent Fashion Consultant makes on blogs, forums, guest books etc. must be unique, informative and relevant.

3.12.9 Digital Media Submissions (YouTube, Facebook, Twitter, Pinterest, Instagram, etc.)

Independent Fashion Consultants may upload, submit or publish LLR-related video, audio or photo content that they develop and create so long as it aligns with LLR values, contributes to the LLR community greater good and is in compliance with LLR's Policies and Procedures. All submissions must clearly identify the submitter as a LLR Independent Fashion Consultant in the content itself and in the content description tag, must comply with all copyright/legal requirements, and must state that the submitter is solely responsible for this content. Independent Fashion Consultants may not upload, submit or publish any content (video, audio, presentations or any computer files) received from LLR or captured at official LLR events or in buildings owned or operated by LLR without prior written permission.

3.12.10 Sponsored Links / Pay-Per-Click (PPC) Ads

Sponsored links or pay-per-click ads (PPC) are acceptable. The destination URL must be to the

sponsoring Independent Fashion Consultant's LLR Replicated Website. The display URL must also be to the sponsoring Independent Fashion Consultant's Replicated Website, and must not portray any URL that could lead the user to believe they are being directed to a LLR Corporate site, or be inappropriate or misleading in any way.

3.12.11 Social Media

In addition to meeting all other requirements specified in these Policies and Procedures, should an Independent Fashion Consultant utilize any form of social media, including but not limited to Facebook, Twitter, LinkedIn, YouTube, Instagram, Google +, or Pinterest, the Independent Fashion Consultant agrees to each of the following:

- No product sales or enrollments may occur on any social media site.
- Independent Fashion Consultants may advertise or post prices on their social media pages, but agree that they will not post or advertise any price that is less than the suggested retail price for a product as set forth in the LLR Price Sheet.
- It is each Independent Fashion Consultant's responsibility to follow the social media site's terms of use. If the social media site does not allow its site to be used for commercial activity, you must abide by the site's terms of use.
- Any social media site that is directly or indirectly operated or controlled by an Independent Fashion Consultant that is used to discuss or promote LLR's products or the LLR opportunity may not link to any website, social media site, or site of any other nature, other than the Independent Fashion Consultant's LLR Replicated Website or the LLR website.
- During the term of this Agreement as renewed and updated in accordance with the terms set forth herein, and for a period of 12 calendar months thereafter, an Independent Fashion Consultant may not use any social media site on which they discuss or promote, or have discussed or promoted, the LLR business or LLR's products to directly or indirectly solicit LLR Independent Fashion Consultants for another direct selling or network marketing program (collectively, "direct selling"). In furtherance of this provision, an Independent Fashion Consultant shall not take any action that may reasonably be foreseen to result in drawing an inquiry from other LLR Independent Fashion Consultants relating to the Independent Fashion Consultant's other direct selling business activities. Violation of this provision shall constitute a violation of the nonsolicitation provision in Section 5.2 below.
- An Independent Fashion Consultant may post or "pin" photographs of LLR products on a social media site. Only photos that are provided by LLR and downloaded from the Independent Fashion Consultant's Back-Office may be used, or photos that meet the following specific standards of presentation:
 - Products must be presented on a mannequin, person or hanger and the photograph must be properly lit with an uncluttered background.
 - We reserve the right to approve / disapprove any posting of LLR product.
- If an Independent Fashion Consultant creates a business profile page on any social

media site that promotes or relates to LLR, its products, or opportunity, the business profile page must relate exclusively to the Independent Fashion Consultant's LLR business and LLR products. If the Independent Fashion Consultant's LLR business is cancelled for any reason or if the Independent Fashion Consultant becomes inactive, the Independent Fashion Consultant must deactivate the business profile page.

- If an Independent Fashion Consultant starts a Facebook group for her team or for her area, the Independent Fashion Consultant agrees that he or she will invite those that LLR requires to join that page.
- He or she could set up his or her Facebook account under facebook.com/lularoesallysmith, but not as facebook.com/lularoesally. Likewise, he or she could set up his or her Instagram handle as @lularoesallysmith but not as @lularoesally.

3.13 Territory

Enrollment as a LLR Independent Fashion Consultant does not entitle you to any specific geographic territory for operating your business, nor is any Independent Fashion Consultant, in good standing, restricted from operating in any geographic area of the United States. As there may be multiple Independent Fashion Consultants in a given area each Independent Fashion Consultant agrees to work with the other Independent Fashion Consultants in their area in a fair and equitable manner in order to promote LLR and provide more opportunity for all. The Company may, at its sole discretion, limit the number of Independent Fashion Consultants in any given area but is not obligated to do so.

3.14 International Marketing

Unless a Independent Fashion Consultant has received written authorization from LLR, Independent Fashion Consultants may not sell LLR products or sponsor other LLR Independent Fashion Consultants in any country other than the United States. Unless a Independent Fashion Consultant has received written authorization from LLR, LLR products or sales aids may not be shipped into or sold in any foreign country.

3.15 Processing Sales—"Audrey"

Independent Fashion Consultants agree that they must use "Audrey," the authorized LLR technology system to order products and to process sales made to customers at the point of sale. When selling products to customers, Independent Fashion Consultants agree that they must use the scanning technology to enter each item that they sell into the "Audrey" point of sale application. "Audrey" allows Independent Fashion Consultants to process the sale by choosing the method of payment, to track sales of the Independent Fashion Consultant's inventory, to set aside reserves for replenishing inventory, and to generate email receipts to their customers.

3.16 Return Policy

3.16.1 Manufacturer's Defects and Damaged Items

Any items with a manufacturer's flaw or defect or that is damaged may be exchanged for a new item of the same body style. There is no restocking fee for these returns. The Independent Fashion Consultant must pay the return shipping costs.

3.16.2 Other Returns

Independent Fashion Consultants may return products that are not defective or damaged for credits for future purchases. Such items must be returned unworn, unwashed, and with hang tags attached. If the items are returned folded and in original packaging, there will be a 15% restocking fee. If returned items are not folded neatly with the hang tag clearly visible or if they are not in the original bag, the entire order will be charged a 25% restocking fee on the entire return.

The Independent Fashion Consultant will be responsible for the costs of shipping all returned items to LLR.

3.16.3 Returns on Cancellation of the Agreement

Upon the cancellation of an Independent Fashion Consultant's Agreement, the Independent Fashion Consultant may return products and sales aids for a refund. In order to receive a refund from LLR pursuant to this policy, the following requirements must be met:

- The items being returned must have been personally purchased by the Independent Fashion Consultant from LLR (purchases from other Independent Fashion Consultants or third parties are not subject to refund);
- The items must be in Resalable condition (see Definition of "Resalable" below); and
- The items must have been purchased from LLR within one year prior to the date of cancellation.

Upon receipt of a Resalable products and sales aids, the Independent Fashion Consultant will be reimbursed 90% of the net cost of the original purchase price(s). Shipping and handling charges incurred by an Independent Fashion Consultant when the products or sales aids were purchased, and return shipping fees, will not be refunded. If the purchases were made through a credit card, the refund will be credited back to the same account. If an Independent Fashion Consultant was paid a bonus based on a product(s) that he or she purchased, and such product(s) is subsequently returned for a refund, the bonus that was paid to the Independent Fashion Consultant based on that product purchase will be deducted from the amount of the refund.

Products and sales aids shall be deemed "Resalable" if each of the following elements is satisfied: 1) they are unworn, unwashed, folded with hang tags and in original packaging; 2)

packaging and labeling has not been altered or damaged; 3) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; and 4) they are returned to LLR within one year from the date of purchase. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be Resalable. Items that are returned that are not Resalable will be donated to a charity selected by LuLaRoe and no refund or exchange will be issued.

3.16.4 Return Procedures

To initiate the return of a product pursuant to this Section 3.16, a Independent Fashion Consultant must first fill out an online Return Authorization form which can be accessed via the Back Office. All defective, flawed or damaged items must be marked with painters tape.

3.16.5 Montana Residents

A Montana resident who cancels her or his Independent Fashion Consultant Agreement within 15 days of the date of enrollment may return her or his entire initial inventory for a full refund.

3.17 Sponsoring

Each Independent Fashion Consultant in good standing may enroll or sponsor new Independent Fashion Consultants into LLR subject to approval by LLR. The Sponsoring Independent Fashion Consultant shall be entitled to compensation for product sales by the new Independent Fashion Consultant based on the LLR Leadership Bonus Plan. The Company reserves the absolute right to accept or decline new Independent Fashion Consultant applications based on location, market saturation, managing growth or any other reason that the Company deems necessary. The Company is not obligated to disclose any such reasons for not accepting new applicants. LLR is an equal opportunity company and no application will be denied based on race, religion, gender or any other status that is protected by law.

3.18 Providing Documentation to Applicants

Independent Fashion Consultants must provide the most current version of the Policies and Procedures and the Leadership Bonus Plan to individuals whom they are sponsoring to become Independent Fashion Consultants before the applicant signs an Independent Fashion Consultant Agreement, or ensure that such individuals have online access to these materials.

3.19 Change of Sponsor

LLR strongly discourages changes in sponsorship. Accordingly, the transfer of a LLR Independent Fashion Consultant from one Sponsor to another is rarely permitted. Requests for change of sponsorship must be submitted in writing to the Independent Fashion Consultant Support Department, and must include the reason for the transfer. Transfers will only be considered in the following three circumstances:

- In cases in which the new Independent Fashion Consultant is sponsored by someone other than the individual he or she was led to believe would be his or her Sponsor, an Independent Fashion Consultant may request that he or she be transferred to another organization with his or her entire Marketing Organization intact. Requests for transfer under this policy will be evaluated on a case-by-case basis and must be made within three days from the date of enrollment. The Independent Fashion Consultant requesting the change has the burden of proving that he or she was placed beneath the wrong sponsor. It is up to LLR's discretion whether the requested change will be implemented.
- The Independent Fashion Consultant seeking to transfer submits a properly completed and fully executed Sponsorship Transfer Form which includes the written approval of his or her Sponsor and those in the upline who are, or may be, affected by the transfer. Photocopied or facsimile signatures are not acceptable. All Independent Fashion Consultant signatures must be notarized. The Independent Fashion Consultant who requests the transfer must submit a fee of \$50.00 for administrative charges and data processing. If the transferring Independent Fashion Consultant also wants to move any of the Independent Fashion Consultants in his or her Marketing Organization, each downline Independent Fashion Consultant must also obtain a properly completed Sponsorship Transfer Form and return it to LLR with the \$50.00 change fee (i.e., the transferring Independent Fashion Consultant and each Independent Fashion Consultant in his or her Marketing Organization multiplied by \$50.00 is the cost to move a LLR business.) Downline Independent Fashion Consultants will not be moved with the transferring Independent Fashion Consultant unless all of the requirements of this paragraph are met. Transferring Independent Fashion Consultants must allow thirty (30) days after the receipt of the Sponsorship Transfer Forms by LLR for processing and verifying change requests. Changes will be effective starting the first of the following month of completed changes.
- An Independent Fashion Consultant may legitimately change organizations by voluntarily canceling his or her LLR business and remaining inactive (*i.e.*, no purchases of LLR products for resale, no sales of LLR products, no sponsoring, no attendance at any LLR functions, no participation in any other form of Independent Fashion Consultant activity, no operation of any other LLR business, and no income from the LLR business) for six (6) full calendar months. Following the six month period of inactivity, the former Independent Fashion Consultant may reapply under a new Sponsor, however, the former Independent Fashion Consultant's Marketing Organization will remain in the original line of sponsorship. LLR will consider waiving the six month waiting period in circumstances described under Section 7.2 and under exceptional circumstances. Such requests for waiver must be submitted to LLR in writing.

LLR maintains sole discretion for final approval of any request to modify or change sponsorship. There is not guarantee that meeting the requirements set forth will result in the requested

change(s). In the event that LLR approves such request(s), all who participate in the approval(s) and/or change(s) agree to release hold harmless the Company from any consequences (anticipated or unforeseen) arising from such change(s).

3.20 Consignment Program

As an accommodation to new Independent Fashion Consultants, LLR offers an optional consignment program. Under this program, Independent Fashion Consultants may, in addition to the products that they are required to purchase on enrollment, receive an additional supply of LLR products on consignment so that they have a larger inventory of products available for their customers. As such, this program is available only to Independent Fashion Consultants upon their initial enrollment as Independent Fashion Consultants. In order to participate in this program, a new Independent Fashion Consultant must complete the LLR Consignment Application and Agreement and be accepted into the program by LLR. Payment for consigned items is made as described in the said Consignment Agreement. If you are a participant in the Consignment Program, please refer to the Consignment Agreement for additional information.

3.21 Compensation

Independent Fashion Consultants derive their income primarily through retail sales of LLR products at home parties. The second source of income is through the sales made by the Independent Fashion Consultants that an Independent Fashion Consultant sponsors and enrolls. A Independent Fashion Consultant may be eligible to receive bonuses on the sales made by the Independent Fashion Consultants that they sponsor as more fully described in the Leadership Bonus Plan.

An Independent Fashion Consultant must be in compliance with the Agreement to qualify for bonuses. So long as an Independent Fashion Consultant complies with the terms of the Agreement, LLR shall pay bonuses to such Independent Fashion Consultant as set forth in the Leadership Bonus Plan.

If a Independent Fashion Consultant has received products from LLR pursuant to the Company's Consignment Program and is eligible to receive a bonus pursuant to the Leadership Bonus Plan, such bonuses will be applied to the payment of the goods that the Independent Fashion Consultant has received from the Company on consignment until such time as such goods are paid for in full.

The minimum amount for which LLR will issue a bonus is \$25. If an Independent Fashion Consultant's bonuses do not equal or exceed \$25, the Company will accrue the bonuses until they total \$25 at which time payment will be issued in the next payment cycle.

Notwithstanding the foregoing, all bonuses or other compensation owed an Independent Fashion Consultant, regardless of the amount accrued, will be paid at the end of each fiscal year

or upon the termination of an Independent Fashion Consultant's Independent Fashion Consultant Agreement.

3.22 Adjustments to Bonus Payments

Independent Fashion Consultants receive bonuses based on the actual sales of products to end consumers. When a product is returned to LLR for a refund, the bonuses attributable to the returned or repurchased product will be deducted from payments to the Independent Fashion Consultant and upline Independent Fashion Consultants who received bonuses for the sale of the refunded product, in the month in which the refund is given, and continuing every pay period thereafter until the bonuses are recovered. Additionally, the bonuses attributable to the refunded product may be deducted from any refunds or credits to the Independent Fashion Consultant who received the bonuses on the sales of the refunded product.

Additionally, as specified in Section 3.21 above, bonus payments to an eligible Independent Fashion Consultant who has received goods from LLR on consignment will be withheld and applied to the payment for such goods until such time as all consigned goods are fully paid for.

3.23 Indemnification

An Independent Fashion Consultant is fully responsible for all of his or her verbal and written statements made regarding LLR products, services, and the Leadership Bonus Plan that are not expressly contained in official LLR materials. This includes statements and representations made through all sources of communication media, whether person-to-person, in meetings, online, through Social Media, in print, or any other means of communication. Independent Fashion Consultants agree to indemnify LLR and LLR's directors, officers, employees, and agents, and hold them harmless from all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by LLR as a result of the Independent Fashion Consultant's unauthorized representations or actions. This provision shall survive the termination of the Independent Fashion Consultant Agreement.

3.24 Income Claims

Because LLR Independent Fashion Consultants do not have the data necessary to comply with the legal requirements for making income claims, an Independent Fashion Consultant, when presenting or discussing the LLR opportunity or Leadership Bonus Plan to a prospective Independent Fashion Consultant, may not make income projections, income claims, or disclose his or her LLR income (including, but not limited to, the showing of checks, copies of checks, bank statements, or tax records).

Additionally, when presenting or discussing the LLR Leadership Bonus Plan, Independent Fashion Consultants must make it clear to prospective Independent Fashion Consultants that financial success with LLR requires commitment, effort, and sales skill. Conversely,

Independent Fashion Consultants must never represent that one can be successful without diligently applying themselves. Examples of misrepresentations in this area include:

- It's a turnkey system;
- The system will do the work for you;
- Just join and I will build your downline for you;
- The company does all the work for you;
- You don't have to sell anything; or
- All you have to do is buy your products every month.

The above are just examples of improper representations about the Leadership Bonus Plan. It is important that Independent Fashion Consultants do not make these or any other representations that could lead a prospective Independent Fashion Consultant to believe that he or she can be successful as a LLR Independent Fashion Consultant without commitment, effort, and sales skill.

3.25 Insurance

You may wish to arrange insurance coverage for your business and inventory. Your homeowner's insurance policy does not cover business-related injuries or the theft of or damage to inventory or business equipment. Contact your insurance agent to make certain that your business property is protected. This can often be accomplished with a simple "Business Pursuit" endorsement or rider attached to your present home owner's policy.

3.26 Sale, Transfer or Assignment of an Independent LLR Business

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

- The selling Independent Fashion Consultant must offer LLR the right of first refusal to purchase the business on the same terms as agreed upon with a third-party buyer. LLR shall have fifteen 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 become a qualified LLR Independent Fashion Consultant. If the buyer is an active LLR Independent Fashion Consultant, he or she must first terminate his or her LLR business and wait six calendar months before acquiring any interest in a different LLR business.
- Before the sale, transfer or assignment can be finalized and approved by LLR, any consignment or debt obligations the selling party has with LLR 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 a LLR business.

Prior to selling an independent LLR business, the selling Independent Fashion Consultant must notify LLR's Independent Fashion Consultant Support Department in writing and advise of his or her intent to sell his or her LLR business. The selling Independent Fashion Consultant must also receive written approval from the Independent Fashion Consultant Support Department before proceeding with the sale. No changes in line of sponsorship can result from the sale or transfer of a LLR business.

3.27 Divorce

An Independent Fashion Consultant's independent LLR business may be viewed as a marital asset. At such time as an Independent Fashion Consultant's marriage may end in divorce, arrangements must be made to assure that any property settlement among the former spouses is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship.

In no event will the independent LLR business be divided between the former spouses. Instead, the parties must adopt one of the following methods of operation:

- One of the former spouses may, with consent of the other, operate the LLR business pursuant to an assignment in writing whereby the relinquishing spouse authorizes LLR to deal directly and solely with the other spouse.
- The parties may continue to operate the LLR business jointly on a "business-as-usual" basis, whereupon all compensation paid by LLR will be paid according to the status quo as it existed prior to the divorce filing. This is the default procedure if the parties do not agree on the format set forth above.

Under no circumstances will the Marketing Organization of divorcing spouses be divided. Similarly, under no circumstances will LLR split commission or bonus payments between divorcing spouses. LLR will recognize only one Independent Fashion Consultant and will issue only one commission or bonus payment per LLR business per bonus cycle. Bonus and commission payments shall always be issued to the same individual or entity named on file.

If a former spouse has completely relinquished all rights in the original LLR business pursuant to a divorce, she or he is thereafter free to enroll under any sponsor of his or her choosing without waiting six calendar months. In that event, the former spouse shall have no rights to any Independent Fashion Consultants in their former Marketing Organization or to any former retail customer. She or he must develop the new business in the same manner as would any other new Independent Fashion Consultant.

3.28 Succession

Upon the death or incapacitation of an Independent Fashion Consultant, his or her independent LLR business may be passed to his or her heirs. Appropriate legal documentation must be

submitted to the Company to ensure the transfer is proper. Accordingly, an Independent Fashion Consultant should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a LLR business is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses of the deceased Independent Fashion Consultant's Marketing Organization provided the following qualifications are met. The successor(s) must:

- Execute an Independent Fashion Consultant Agreement;
- Comply with terms and provisions of the Agreement; and
- Meet all of the qualifications for the deceased Independent Fashion Consultant's status.

The devisee(s) must provide LLR with an "address of record" to which all commission or bonus payments will be sent. If the business is bequeathed to joint devisees, they must form a business entity and acquire a Federal Taxpayer Identification Number. LLR will issue all commission and bonus payments, and one 1099 to the business entity.

3.28.1 Transfer Upon Death of an Independent Fashion Consultant

To effect a testamentary transfer of a LLR business, the executor of the estate must provide the following to LLR: (1) an original death certificate; (2) certified letters testamentary or a letter of administration appointing an executor; and (3) written instructions from the authorized executor to LLR specifying to whom the business and income should be transferred.

3.28.2 Transfer Upon Incapacity

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

3.29 One LLR Business Per Independent Fashion Consultant and Per Household

An individual may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one LLR business. No individual may have, operate or receive compensation from more than one LLR business. Individuals of the same Household may not enter into or have an interest in more than one LLR business. A "Household" is defined as all individuals who are living at or doing business at the same address, and who are related by blood, marriage, domestic partnership, or adoption, or who are living together as a family unit or in a family-like setting.

An exception to the one business per Independent Fashion Consultant/Household rule will be considered on a case by case basis if two Independent Fashion Consultants marry or move in

together, or in cases of a Independent Fashion Consultant receiving an interest in another business through inheritance. Requests for exceptions to policy must be submitted in writing to the Compliance Department.

Section 4 – Responsibilities of Independent Fashion Consultants

4.1 Change of Address, Telephone or Email

To ensure timely delivery of products, support materials and commission and bonus payments it is critically important that LLR maintains accurate and current information on each Independent Fashion Consultant. Street addresses are required for shipping, LLR products cannot be delivered to a P.O. Box. If an Independent Fashion Consultant is planning to move updated contact and shipping information should be sent to Independent Fashion Consultant Support at support@lularoe.com.

4.2 Ongoing Training

Successful Independent Fashion Consultants who enroll a new Independent Fashion Consultant should perform bona fide assistance and training to ensure that the new Independent Fashion Consultant is properly operating his or her LLR business. There should be ongoing communication through newsletters, Facebook, email, telephone calls, conference calls, in-person meetings and training and other methods of training, encouraging and motivating the new Independent Fashion Consultant. The knowledge and experience of the Sponsoring Independent Fashion Consultant should be shared with the new Independent Fashion Consultant including but not limited to product knowledge, effective sales techniques, customer service and compliance with Company Policies and Procedures. Each Sponsoring Independent Fashion Consultant should be able to provide evidence to LLR of his or her ongoing efforts as a mentor and trainer to those Independent Fashion Consultants they have sponsored.

4.3 Ongoing Sales

Each Independent Fashion Consultant, regardless of the number of Independent Fashion Consultants they may have sponsored, should continue to develop a network of hostesses and retail customers. Home parties and the sales derived therefrom are the primary income source for Independent Fashion Consultants.

Independent Fashion Consultants agree to use the LLR point-of-sales system, processing all sales, customer information and transaction settlements through the system.

4.4 Adherence to Laws and Ordinances

Independent Fashion Consultants 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 most cases these ordinances are not applicable to Independent Fashion Consultants because of the nature of their business. However, Independent Fashion Consultants must obey those laws that do apply to them. If a city or county official tells an Independent Fashion Consultant that an ordinance applies to him or her, the Independent Fashion Consultant shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of LLR.

4.5 Nondisparagement

LLR values constructive criticisms and comments from Independent Fashion Consultants. All such comments should be submitted in writing to the Independent Fashion Consultant Support Department. While LLR welcomes constructive input, negative comments and remarks made in the field by Independent Fashion Consultants about the Company, its products, or Leadership Bonus Plan serve no purpose other than to sour the enthusiasm of other LLR Independent Fashion Consultants. For this reason, and to set the proper example for their Marketing Organizations, Independent Fashion Consultants must not disparage, demean, or make negative remarks about LLR, other LLR Independent Fashion Consultants, LLR's products, the Leadership Bonus Plan, or LLR's directors, officers, or employees.

4.6 Errors or Questions

If an Independent Fashion Consultant has questions about or believes any errors have been made regarding bonuses, genealogy lists, or charges, the Independent Fashion Consultant must notify LLR in writing within 60 days of the date of the purported error or incident in question. LLR will not be responsible for any errors, omissions or problems not reported to the Company within 60 days.

4.7 Governmental Approval or Endorsement

State and federal regulatory agencies and officials do not approve or endorse any direct selling or network marketing companies or programs. Therefore, Independent Fashion Consultants shall not represent or imply that LLR or its Leadership Bonus Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

4.8 Income Taxes

Each Independent Fashion Consultant is responsible for paying local, state and federal taxes on any income generated as an Independent Fashion Consultant. If an Independent Fashion Consultant's LLR business is tax exempt, the Federal tax identification number must be provided to LLR. Every year, LLR will provide an IRS Form 1099 MISC to all Independent Fashion Consultants who are required to receive based on earnings and/or purchases, as specified in the tax code as updated from time to time.

LLR cannot provide Independent Fashion Consultants with any personal tax advice. Independent Fashion Consultants should consult with their own tax accountant, tax attorney, or other tax professional.

If an Independent Fashion Consultant fails to provide LLR with a valid Social Security Number, Federal Tax ID Number, or IRS Form W-9 (if required), LLR will deduct the necessary back-up withholdings from the Independent Fashion Consultant's bonus payments as required by law.

Section 5 – Conflict of Interest

5.1 Participation in Other Direct Selling Programs

Independent Fashion Consultants may participate in other direct selling or Network marketing ventures and may engage in selling non-LLR products and services if they choose to do so as long as they adhere to the following guidelines:

Independent Fashion Consultants may not sell, offer to sell or promote any competing non-LLR products to any LLR Independent Fashion Consultant or LLR retail customers. Women's clothing and fashion accessories are deemed to be in the same generic categories as LLR products and are therefore competing products, regardless of differences in cost, quality or other distinguishing factors.

5.2 Nonsolicitation

During the term of this Agreement, Independent Fashion Consultants may not contact directly or through a third party any other LLR Independent Fashion Consultant with the intent to recruit or solicit their participation in any other Network Marketing, Direct Sales or MLM Companies.

Following the cancellation of an Independent Fashion Consultant's Independent Fashion Consultant Agreement, and for a period of three (3) years thereafter, with the exception of an Independent Fashion Consultant who was personally sponsored by the former Independent Fashion Consultant, a former Independent Fashion Consultant may not recruit or solicit any LLR Independent Fashion Consultant for another direct selling, MLM, or network marketing business.

Independent Fashion Consultants and the Company recognize that because network marketing is conducted through networks of independent contractors dispersed across the entire United States and internationally, 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, Independent Fashion Consultants and LLR agree that this non-solicitation provision shall apply nationwide and to all international markets in which LLR

Independent Fashion Consultants are located. This provision shall survive the termination or expiration of the Agreement.

As used above, the terms recruit or solicit means the actual or attempted sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another LLR Independent Fashion Consultant to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity.

5.3 Confidential Information

“Confidential Information” includes, but is not limited to, Downline Genealogy Reports, the identities of LLR Independent Fashion Consultants, and contact information of LLR Independent Fashion Consultants. Confidential Information is, or may be available, to Independent Fashion Consultants in their respective back-offices. Independent Fashion Consultant access to such Confidential Information is password protected, is confidential, and constitutes proprietary information and business trade secrets belonging to LLR. Such Confidential Information is provided to Independent Fashion Consultants in strictest confidence and is made available to Independent Fashion Consultants for the sole purpose of assisting Independent Fashion Consultants in working with their respective Marketing Organizations in the development of their LLR business. Independent Fashion Consultants may not use any Confidential Information for any purpose other than for developing their independent LLR businesses. Independent Fashion Consultants should use the Confidential Information to assist, motivate, and train their downline Independent Fashion Consultants, and for no other purpose. In so doing, an Independent Fashion Consultant may not disclose the Confidential Information to any third party, including, without limitation, his or her downline Independent Fashion Consultants. The Independent Fashion Consultant and LLR agree that, but for this agreement of confidentiality and nondisclosure, LLR would not provide Confidential Information to the Independent Fashion Consultant.

To protect the Confidential Information, an Independent Fashion Consultant 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 Confidential Information to any third party;
- Directly or indirectly disclose the password or other access code to his or her back-office;
- Use any Confidential Information to compete with LLR or for any purpose other than promoting his or her LLR business; or
- Recruit or solicit any Independent Fashion Consultant listed on any report or in the Independent Fashion Consultant’s back-office, or in any manner attempt to influence or induce any Independent Fashion Consultant to alter their business relationship with LLR.

The obligation of an Independent Fashion Consultant to not disclose any Confidential Information shall survive cancellation or termination of the Agreement, and shall remain

effective and binding irrespective of whether an Independent Fashion Consultant's Agreement has been terminated, or whether the Independent Fashion Consultant is or is not otherwise affiliated with the Company.

5.4 Back Office Access

LLR makes online back offices available to its Independent Fashion Consultants. Back offices provide Independent Fashion Consultants access to confidential and proprietary information that may be used solely and exclusively to promote the development of an Independent Fashion Consultant's LLR business and to increase sales of LLR products. However, access to a back office is a privilege, and not a right. LLR reserves the right to deny Independent Fashion Consultants' access to the back office at its sole discretion.

Section 6 – Disciplinary Sanctions and Dispute Resolution

6.1 Disciplinary Sanctions

Violation of the Agreement, these Policies and Procedures, violation of any common law duty, including but not limited to any applicable duty of loyalty, any illegal, fraudulent, deceptive or unethical business conduct, or any act or omission by an Independent Fashion Consultant that, in the sole discretion of the Company may damage its reputation or goodwill (such damaging act or omission need not be related to the Independent Fashion Consultant's LLR business), may result, at LLR's discretion, in one or more of the following corrective measures:

- Issuance of a written warning or admonition;
- Requiring the Independent Fashion Consultant to take immediate corrective measures;
- Imposition of a fine, which may be withheld from commission and/or bonus payments;
- Loss of rights to one or more commission or bonus payments;
- LLR may withhold from an Independent Fashion Consultant all or part of the Independent Fashion Consultant's bonuses during the period that LLR is investigating any conduct allegedly violative of the Agreement. If an Independent Fashion Consultant's business is canceled for disciplinary reasons, the Independent Fashion Consultant will not be entitled to recover any bonuses withheld during the investigation period;
- Suspension of the individual's Independent Fashion Consultant Agreement for one or more pay periods;
- Permanent or temporary loss of, or reduction in, the current and/or lifetime rank of an Independent Fashion Consultant (which may subsequently be re-earned by the Independent Fashion Consultant);
- Transfer or removal of some or all of an Independent Fashion Consultant's downline Independent Fashion Consultants from the offending Independent Fashion Consultant's Marketing Organization;

- Involuntary termination of the offender's Independent Fashion Consultant Agreement;
- Suspension and/or termination of the offending Independent Fashion Consultant's LLR website or website access; or
- Any other measure expressly allowed within any provision of the Agreement or which LLR deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Independent Fashion Consultant's policy violation or contractual breach.

In situations deemed appropriate by LLR, the Company may institute legal proceedings for monetary and/or equitable relief.

6.2 Actions of Household Members or Affiliated Parties

If any member of an Independent Fashion Consultant's immediate household engages in any activity which, if performed by the Independent Fashion Consultant, would violate any provision of the Agreement, such activity will be deemed a violation by the Independent Fashion Consultant and LLR may take disciplinary action pursuant to these Policies and Procedures against the Independent Fashion Consultant. Similarly, if any individual associated in any way with a corporation, partnership, LLC, trust or other entity as an owner, officer, shareholder, member, manager, or employee (an "Affiliate Party") violates the Agreement, such action(s) will be deemed a violation by the business entity, and LLR may take disciplinary action against the business entity. Each Affiliated Party of a business entity shall be personally and individually bound to, and must comply with, the terms and conditions of the Agreement.

6.3 Mediation

Prior to instituting an arbitration as provided in Section 6.4 below, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement through non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as mediator. The mediation shall occur within 60 days from the date on which the mediator is appointed. The mediator's fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally between the parties. Each party shall pay its portion of the anticipated shared fees and costs at least 10 days in advance of the mediation. Each party shall pay its own attorney's fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in the City of Cheyenne, Wyoming and shall last no more than two business days.

6.4 Arbitration

If mediation is unsuccessful, any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration. The Parties waive all rights to trial by jury or to any court. The arbitration shall be filed with, and administered by, the American Arbitration Association ("AAA") or JAMS under their respective rules and procedures. The *Commercial Arbitration Rules and Mediation Procedures* of the AAA are available at the

AAA's website at www.adr.org. The *Streamlined Arbitration Rules & Procedures* of JAMS are available at the JAMS website at www.jamsadr.com. Copies of the AAA's *Commercial Arbitration Rules and Mediation Procedures* or JAM's *Streamlined Arbitration Rules & Procedures* will be emailed to Independent Fashion Consultants upon request to LLR's Legal & Compliance Department.

Notwithstanding the rules of the AAA or JAMS, the following shall apply to all arbitration actions:

- The Federal Rules of Evidence shall apply in all cases;
- The parties shall be entitled to all discovery rights permitted by the Federal Rules of Civil Procedure;
- The parties shall be entitled to bring motions under Rules 12 and/or 56 of the Federal Rules of Civil Procedure;
- The arbitration shall occur within 180 days from the date on which the arbitrator is appointed, and shall last no more than five business days; and
- The parties shall be allotted equal time to present their respective cases, including cross-examinations.

Except as provided below for Louisiana residents, all arbitration proceedings shall be held in Cheyenne, Wyoming. There shall be one arbitrator selected from the panel that the Alternate Dispute Resolution service provides. 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 arbitrate shall survive the cancellation or termination of the Agreement.

The parties and the arbitrator shall maintain the confidentiality of the entire arbitration process and shall not disclose to any person not directly involved in the arbitration process:

- The substance of, or basis for, the controversy, dispute, or claim;
- The content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery in arbitration;
- The terms or amount of any arbitration award; or
- The rulings of the arbitrator on the procedural and/or substantive issues involved in the case.

Notwithstanding the foregoing, nothing in these Policies and Procedures shall prevent either party 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 its intellectual property rights and/or to enforce its rights under the nonsolicitation provision of the Agreement.

6.4.1 Louisiana Residents

Notwithstanding the foregoing any mediation or arbitration proceeding between the Company and a Louisiana resident Independent Fashion Consultant shall be held in Baton Rouge, Louisiana and shall be governed by Louisiana law.

6.5 Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in Laramie County, Wyoming. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the state of Wyoming shall govern all other matters relating to or arising from the Agreement.

Section 7 – Inactivity and Cancellation of the Agreement

7.1 Effect of Cancellation

So long as an Independent Fashion Consultant remains active and complies with the terms of the Independent Fashion Consultant Agreement and these Policies and Procedures, LLR shall pay bonuses to such Independent Fashion Consultant in accordance with the Leadership Bonus Plan. An Independent Fashion Consultant's retail profits and bonuses constitute the entire consideration for the Independent Fashion Consultant's efforts in generating sales and all activities related to generating sales (including building a Marketing Organization). Following an Independent Fashion Consultant's non-renewal of his or her Independent Fashion Consultant Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Independent Fashion Consultant Agreement (all of these methods are collectively referred to as "cancellation"), the former Independent Fashion Consultant shall have no right, title, claim or interest to the Marketing Organization which he or she operated, or any bonuses from the sales generated by the organization. **An Independent Fashion Consultant whose business is cancelled will lose all rights as an Independent Fashion Consultant. This includes the right to purchase LLR products at wholesale for resale and the right to receive future bonuses or other income resulting from the sales and other activities of the Independent Fashion Consultant's former Marketing Organization. In the event of cancellation, Independent Fashion Consultants agree to waive all rights they may have, including but not limited to property rights, to their former Marketing Organization and to any bonuses or other remuneration derived from the sales and other activities of his or her former Marketing Organization.**

Following an Independent Fashion Consultant's cancellation of his or her Independent Fashion Consultant Agreement, the former Independent Fashion Consultant shall not hold himself or herself out as a LLR Independent Fashion Consultant and shall not have the right to purchase LLR products at wholesale. An Independent Fashion Consultant whose Independent Fashion

Consultant Agreement is canceled shall receive bonuses only for the last full pay period he or she was active prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

7.2 Inactivity

Apart from production requirements specified in the LLR Leadership Bonus Plan, Inactivity for this section determines whether the Independent Fashion Consultant maintains his/her position in the sponsorship organization and any downline below them.

An Independent Fashion Consultant will be considered Inactive in any month that they do not produce minimum sales of 33 units. Independent Fashion Consultants that do not produce sales totaling at least 99 units in a period of three (3) consecutive months will be considered Inactive for that three month period. Inactivity for two consecutive three month periods will result in the cancellation of the Independent Fashion Consultant's Independent Fashion Consultant Agreement.

In the event of cancellation of a Independent Fashion Consultant due to inactivity, the Company shall waive the six-month cancellation and waiting period set forth in Section 3.19 above. The effect of this Waiver is to give the Inactive Independent Fashion Consultant an option to re-activate in a position under their original sponsor or to re-enroll under a different sponsor.

7.2.1 Maternity Exemption

An Independent Fashion Consultant shall be exempt from meeting the above activity requirements for a period of four (4) months following the birth or adoption of a child. Appropriate documentation must be provided to the Company upon request. The effect of this exemption is to allow the Independent Fashion Consultant an additional four months to meet the activity requirements in order to avoid the cancellation of her Independent Fashion Consultant Agreement pursuant to Section 7.2. NOTE that it does not exempt the Independent Fashion Consultant from meeting the requirement specified to receive bonuses under the Leadership Bonus Plan.

7.2.2 Military Deployment Exemption

Military personnel shall be exempt from meeting the above activity requirements while deployed into a foreign country and for a period of one (1) month following the end of such deployment. Appropriate documentation must be provided to the Company upon request. The effect of this exemption is to suspend, for the period of deployment plus one month, the three month activity requirements in order to avoid the cancellation of her Independent Fashion Consultant Agreement pursuant to Section 7.2. NOTE that it does not exempt the Independent Fashion Consultant from meeting the requirements specified to receive bonuses under the Leadership Bonus Plan.

7.3 Involuntary Cancellation

An Independent Fashion Consultant's violation of any of the terms of the Agreement, including any amendments that may be made by LLR in its sole discretion, may result in any of the sanctions listed in Section 6.1, including the involuntary cancellation of his or her Independent Fashion Consultant Agreement. Cancellation shall be effective on the date on which written notice is mailed, emailed, faxed, or delivered to an express courier, to the Independent Fashion Consultant's last known address, email address, or fax number, or to his or her attorney, or when the Independent Fashion Consultant receives actual notice of cancellation, whichever occurs first.

LLR reserves the right to terminate all Independent Fashion Consultant Agreements upon thirty (30) days written notice in the event that it elects to: (1) cease business operations; (2) dissolve as a corporate entity; or (3) terminate distribution of its products via direct selling.

7.4 Voluntary Cancellation

A participant in this network marketing plan has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the Independent Fashion Consultant's signature, printed name, address, and Independent Fashion Consultant I.D. Number.