



P&R

Statement of Privileges and Responsibilities of Shaklee Family Members – Dream Plan

Your official document governing the relationship between the Field and Shaklee Canada Inc.

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Introduction

The *Statement of Privileges and Responsibilities of Shaklee Family Members (P&R)* is an important part of the contract between Shaklee Canada Inc. (the “Company”) and each Shaklee Family Member. It sets forth the policies and procedures that govern the way the Shaklee Home Office and Shaklee Family Members work together.

This document outlines the privileges you, as a Shaklee Family Member in the Dream Plan, can expect from the Company, and the responsibilities the Company expects you to assume. Please read this document carefully.

Chapter 1

Ranks and Requirements

Preferred Member

Any person who signs a *Shaklee Application* and purchases a New Member Pack. From time to time Shaklee may offer a complimentary membership, waiving the requirement to purchase a New Member Pack. Preferred Members purchase at Member Price as indicated on the Shaklee Price List. Preferred Members are eligible to receive pricing discounts. Preferred Members are not eligible to sponsor other Shaklee Family Members, to sell Shaklee products, or to receive bonuses or other compensation until they become Distributors. A distributorship fee is not required to become a Shaklee Family Member. The only requirement is the purchase of a New Member Pack.

Distributor

In order to become a Distributor, an individual must sign a *Shaklee Application* and purchase a Distributor Welcome Pack.

If a Preferred Member subsequently decides to become a Distributor and meets the requirements above, the change in status will take effect retroactive to the first day of the month in which Shaklee determines the requirements have been met.

A business entity may become a Distributor by signing a *Sole Proprietorship (DBA) or General Partnership Application* or *Corporate Distributor Application* and purchasing a Distributor Welcome Pack.

Shaklee Canada Inc. is registered as a Direct Seller in each province. All other licence requirements in your province are the responsibility of each Shaklee Independent Distributor.

Distributors may sell Shaklee products, earn bonuses, and sponsor others into Shaklee.

Associate

A Distributor will be promoted to Associate upon achieving 1000 Personal Group Volume, including 100 Personal Volume, monthly.

Promotion to Associate will take effect retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Director

To be promoted to and paid as a Director a Distributor must achieve 2000 Personal Group Volume, with 1000 unencumbered volume, of which 100 is Personal Volume (i.e., 1000 Personal Group Volume not including the Personal Group Volume of a First Generation Director in the month of promotion).

All volume must be on record with Shaklee.

Promotion to Director will take effect retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Stacked Directors

In the case of a Distributor or Associate promoting to Director under another Distributor or Associate who is promoting to Director in the same month (i.e., stacked promotion), the new Director above in the sponsorship line

must have a minimum of 1000 unencumbered group Volume (i.e., not including the Personal Group Volume of the new Director[s] below) in the month of qualification.

Other Director Requirements

Directors must also:

- Demonstrate regular leadership, guidance, and service to their Personal Groups by applying their best efforts toward promoting Shaklee products and the Shaklee opportunity and by supporting the ideals of the Shaklee philosophy.
- Operate bona fide, independent Directorships without continued reliance on other Business Leaders for maintenance of rank.
- Adhere to and enforce the compliance of all members of their Personal Groups with Shaklee policies as outlined in this *P&R*, the *Shaklee Application*, the *Sole Proprietorship (DBA) or General Partnership Application*, the *Corporate Distributor Application*, Shaklee publications, and administrative letters to the Field, including any amendments to any of these documents that may be adopted from time to time. Business Leaders doing business in the United States or foreign markets must adhere to and enforce the compliance of all members of their Personal Groups with Shaklee policies as outlined in official Shaklee publications for those markets.

Shaklee may reject a Director promotion if the applicant:

- Exhibits poor leadership attributes
- Has not complied, or refuses to comply, with the provisions of this *P&R*
- Has engaged in conduct that may adversely affect the reputation of Shaklee or Shaklee Family Members

Although Business Leaders may share the expense of office space, and one Business Leader may help another through temporary difficulties (but not on a continuing or indeterminate basis), Business Leaders may not prop up a sham or “paper” Business Leader through diverted orders or other devices. “Paper” Business Leaders are those who are Business Leaders in name only and do not actively operate their Shaklee businesses but allow other Business Leaders to sustain and direct their sales leadership functions. This prohibition applies to all Business Leader ranks.

Rank Maintenance

Requirements for maintenance of Director rank are as follows:

- 2000 Personal Group Volume per month, including 100 Personal Volume
- In any month in which one promotes a First Generation Director, one must have 1000 unencumbered Group Volume, 100 of which must be Personal Volume (i.e., 1000 Personal Group Volume not including the Personal Group Volume of the new Director)
- In the month following promotion of a First Generation Director, 1250 Personal Group Volume, including 100 Personal Volume
- In the second month following promotion of a First Generation Director, 1500 Personal Group Volume, including 100 Personal Volume
- In the third month following promotion of a First Generation Director, 2000 Personal Group Volume, including 100 Personal Volume

Example 1: Distributor Gordon is in the Personal Group of Business Leader Edward. Gordon promotes to Director effective the December 2016 PV month. For the PV month of December 2016, Edward must have at least 1000 Unencumbered Group Volume, including 100 Personal Volume. For the PV month of January 2017, Edward must have at least 1250 Personal Group Volume, including 100 Personal Volume. For the PV month of

February 2017, Edward must have at least 1500 Personal Group Volume, including 100 Personal Volume. For the PV Month of March 2017, Edward must have 2000 Personal Group Volume, including 100 Personal Volume.

Example 2: Business Leader Sandy promotes three First Generation Business Leaders: one in the December 2016 PV month, one in the January 2017 PV month, and one in the February 2017 PV month. Sandy must have 1000 Unencumbered Group Volume, including 100 Personal Volume, in each of December, January, and February because she promoted a First Generation Director in each of those months. In the March 2017 PV month, she must have 1250 Personal Group Volume, including 100 Personal Volume. In the April 2017 PV month she must have 1500 Personal Group Volume, including 100 Personal Volume. In the May 2017 PV month, she must have 2000 Personal Group Volume, including 100 Personal Volume.

Example 3: Business Leader Ralph promotes Director Gina effective the November 2016 PV month. Gina uses a Volume Grace Month (VGM) in the December 2016 PV month. Ralph must have 1250 Personal Group Volume, including 100 Personal Volume, in the December 2016 PV month.

PV Makeups

Business Leaders who fall short of the requirements to fully qualify for rank may at their request receive an automatic 100 PV order under the following circumstances:

- Personal Group Volume is within 100 PV of the volume required to fully qualify for rank
- Personal Volume is less than the required 100 Personal Volume and the Business Leader would otherwise fully qualify for rank

Volume Grace Month (VGM)

Business Leaders may have one VGM within a rolling 12-month period. The grace month will be given automatically if needed.

New Directors may have two Volume Grace Months (VGMs) within the first year after their original promotion to Director but must have a minimum of 1000 Personal Group Volume in at least one of the two VGMs. The new Director is then eligible for one VGM in a rolling 12-month period beginning with the 13th month following the original promotion.

Example: Business Leader Peter is originally promoted to Director effective the January 2016 PV month. Peter may have two Volume Grace Months during the period of the February 2016 through January 2017 PV months so long as in at least one of the VGMs he has at least 1000 Personal Group Volume. Starting the February 2017 PV month, he may have one VGM within a rolling 12-month period. If he uses a VGM in the February 2017 PV month, he will be eligible for another in the February 2018 PV month.

A Business Leader in a VGM counts as a Business Leader for purposes of the upline Business Leaders' qualifications.

Retitling

If a Business Leader does not meet rank maintenance requirements and has already used any available Volume Grace Months, the Business Leader will be retitled to Associate effective retroactive to the beginning of the month in which maintenance requirements were not met. Upon retitling, the Associate's price tier will be reset to MP.

To be reinstated as a Director, the former Business Leader must meet qualifications for promotion as described in Chapter 1 of this P&R.

Shaklee reserves the right to retitle a Business Leader to Associate regardless of the volume requirements if, in Shaklee's assessment, the Business Leader fails to fulfil other qualifications and responsibilities of leadership, as explained in this P&R.

Unjust Enrichment

Shaklee has established a time limit to prevent Leadership Bonuses, including Infinity Bonuses and other bonuses paid on established Business Leaders, from being paid to new Directors who intervene in the sponsorship line above the established Business Leaders, or to reinstated Directors who have not provided leadership to their Business Leaders for a long time.

Any potential Director in a sponsorship line between an upline Business Leader and a First Generation Business Leader must qualify and be promoted to the rank of Director within one year of the most recent promotion date of the First Generation Business Leader in order to be entitled to Leadership Bonuses on that First Generation Business Leader. The newly promoted Director must maintain rank as a Director for six consecutive months in order to retain continuing rights to Leadership Bonuses. Failure to achieve Business Leader rank in 12 months, or to maintain rank for six consecutive months, will result in the permanent loss of sponsorship rights and rights to Leadership Bonuses on the First Generation Business Leader and his or her sponsorship group. The sponsorship line will be permanently broken above the First Generation Business Leader and will be reconnected under the next eligible upline sponsor. If there are any former Business Leaders above the First Generation Business Leader who have been retitled for less than 12 months, the sponsorship line will instead be broken above the former Business Leaders and reconnected under the next eligible upline sponsor.

If a retitled Business Leader is reinstated to Director rank less than 12 months after that Business Leader's last retitling date, he or she will begin receiving Leadership Bonuses for which he or she is qualified immediately after reinstatement but must maintain rank as a Director for six consecutive months in order to retain rights to Leadership Bonuses and sponsorship rights.

Example 1: Business Leader Filomena sponsors Distributor Graciela, who in turn sponsors Distributor Juan. Juan is promoted to Director effective the January 2016 PV month. In order to retain sponsorship rights to Juan and his sponsorship group, Graciela must be appointed to Director effective no later than the January 2017 PV month and must maintain rank for six consecutive months. (If promoted effective January 2017, Graciela would have to maintain rank for the January through June 2017 PV months).

Example 2: Business Leader Stacy is the sponsor of former Business Leader Tim, who was retitled to Associate effective the January 2016 PV month. Tim, in turn, is the sponsor of former Business Leader Wendy, who was retitled effective the June 2016 PV month, and Wendy is the sponsor of Business Leader Andrew. Andrew maintains Business Leader rank continuously from the January 2016 PV month through the January 2017 PV month. Tim does not regain Business Leader rank by the January 2017 PV month and therefore loses all sponsorship rights to Andrew and Andrew's sponsorship group. But Wendy has not yet lost sponsorship rights to Andrew and Andrew's sponsorship group because she has been retitled for less than 12 months. So, the sponsorship line is broken at Wendy, and Stacy becomes Wendy's sponsor.

Regaining Rank

To be reinstated as a Director, the former Director must meet the qualifications for Director outlined in Chapter 1 of this P&R.

If a former Director had an outstanding accounts receivable (A/R) balance at the time of retitling, upon reinstatement he or she will be placed on "no personal cheque" (NPC) status until the balance is paid in full.

Reinstatement to Director may be conditioned upon repayment of, or upon agreement to repay, any outstanding A/R balance on terms that are satisfactory to Shaklee. Shaklee reserves the right to rescind any reinstatement where such agreement is not made.

Promotions

Promotions will be made automatically by the Company when the Company determines qualifications have been met.

Business Leaders may, however, notify Shaklee if they prefer not to have promotions made automatically for those in their Personal Groups, and Shaklee will make the exception. If the Business Leader requests not to have promotions made automatically:

- The Business Leader is responsible for notifying Shaklee of all promotions to be made to Associate no later than the last business day of the calendar month for which the promotion is to be effective
- The Business Leader is responsible for notifying Shaklee of all promotions to be made to Director no later than the second business day following the end of the month for which the promotion is to be effective
- The Business Leader must state in writing his or her individual policies concerning requirements for promotion prior to the time that a prospective Preferred Member or Distributor completes and signs a *Shaklee Application* or equivalent, so that people will not be misled into assuming that their Business Leaders will promote those in their Personal Groups in accordance with the requirements established by the Company, as described in this Chapter.

When a prospective Director meets all requirements for promotion, with all required volume reflected on Shaklee's records, and requests promotion to Director, Shaklee will make the promotion. If the Business Leader of record does not agree that the promotion should be made, the Business Leader may request that the Status Review Board (SRB) review the promotion.

In all cases, a Preferred Member must first become a Distributor before being eligible to promote to Associate or Director, regardless of whether promotion is automatic or not.

Higher Ranks

All promotions to the rank of Senior Director or higher will be made automatically by Shaklee when Shaklee determines that the requirements have been met.

Senior Director

To be promoted to and paid as a Senior Director, one must be a qualified Director with one First Generation Business Leader. Senior Director promotions are effective retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Coordinator

To be promoted to and paid as a Coordinator, one must be a qualified Director with a minimum of two First Generation Business Leaders. Coordinator promotions are effective retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Senior Coordinator

To be promoted to and paid as a Senior Coordinator, one must be a qualified Director with a minimum of:

- Two First Generation Business Leaders
- 10,000 monthly Organizational Volume

Senior Coordinator promotions are effective retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Executive Coordinator

To be promoted to and paid as an Executive Coordinator, one must be a qualified Director with a minimum of:

- Three First Generation Business Leaders
- 20,000 monthly Organizational Volume

Executive Coordinator promotions are effective retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Senior Executive Coordinator

To be promoted to and paid as a Senior Executive Coordinator, one must be a qualified Director with a minimum of:

- Three First Generation Business Leaders
- 30,000 monthly Organizational Volume

Senior Executive Coordinator promotions are effective retroactive to the first day of the month in which Shaklee determines qualifications have been met.

Key Coordinator

To be promoted to and paid as a Key Coordinator, one must be a qualified Director with a minimum of:

- Four First Generation Business Leaders
- 50,000 monthly Organizational Volume, of which 25,000 must come from outside his or her largest Business Leader leg

Key Coordinator promotions are effective retroactive to the first day of the third consecutive month in which Shaklee determines qualifications have been met.

Senior Key Coordinator

To be promoted to and paid as a Senior Key Coordinator, one must be a qualified Director with a minimum of:

- Five First Generation Business Leaders
- 75,000 monthly Organizational Volume, of which 37,500 must come from outside his or her largest Business Leader leg

Senior Key Coordinator promotions are effective retroactive to the first day of the third consecutive month in which Shaklee determines qualifications have been met.

Master Coordinator

To be promoted to and paid as a Master Coordinator, one must be a qualified Director with a minimum of:

- Six First Generation Business Leaders
- 100,000 monthly Organizational Volume, of which 50,000 must come from outside his or her largest Business Leader leg

Master Coordinator promotions are effective retroactive to the first day of the third consecutive month in which Shaklee determines qualifications have been met.

Senior Master Coordinator

To be promoted to and paid as a Senior Master Coordinator, one must be a qualified Director with a minimum of:

- Eight First Generation Business Leaders
- 200,000 monthly Organizational Volume, of which 100,000 must come from outside his or her largest Business Leader leg

Senior Master Coordinator promotions are effective retroactive to the first day of the third consecutive month in which Shaklee determines qualifications have been met.

Presidential Master Coordinator

To be appointed to and paid as a Presidential Master Coordinator, one must be a qualified Director with a minimum of:

- Ten First Generation Business Leaders
- 500,000 monthly Organizational Volume, of which 250,000 must come from outside his or her largest Business Leader leg, and
- Two Paid-As Master Coordinator legs

Presidential Master Coordinator promotions are effective retroactive to the first day of the third consecutive month in which Shaklee determines qualifications have been met.

All Coordinator Ranks

Coordinator ranks, which include Coordinators, Senior Coordinators, Executive Coordinators, Senior Executive Coordinators, Key Coordinators, Senior Key Coordinators, Master Coordinators, Senior Master Coordinators, and Presidential Master Coordinators, carry the highest levels of privilege and responsibility under the Shaklee Compensation Plan. Shaklee will promote only those candidates who, in Shaklee's assessment:

- Exemplify loyalty to Shaklee
- Provide the superior leadership and service required of the rank

In keeping with the above qualifications, no Coordinator of any rank may operate another direct selling business or be a distributor, employee, or consultant for another direct selling company.

Rank Maintenance Requirements

Senior Directors and above must meet the requirements for their rank for a minimum of nine months in a rolling 12-month period. A Senior Director or above will be retitled to the next lower appointed title effective retroactive to the first day of the fourth month in a rolling 12-month period for which requirements for their rank have not been met.

The Company reserves the right to retain Senior Directors and above at their appointed title and not retitle them to a lower appointed title if the Company believes it is in the best interests of Shaklee and Shaklee Independent Distributors to do so.

Except as otherwise set forth in this *P&R*, bonuses will be paid according to the qualifications actually achieved in a given month, and benefits awarded based upon rank will be awarded according to Paid-As title.

Chapter 2

Bonuses

Point Value (PV) is the basis both for measuring qualifications and for calculating Personal Group Bonuses, Leadership Bonuses, Infinity Bonuses, and the Presidential Master Organization Bonus. All bonuses are paid directly by Shaklee to Distributors, Associates, and Business Leaders of all ranks who have earned them, except as indicated in the Individual Bonus Policies section of this Chapter. Shaklee encourages all Distributors, Associates, and Business Leaders to register to have their bonuses directly deposited to their bank account. Registration forms are available at <https://ca.shaklee.com/popular-business-forms>.

One must have at least 250 Personal Group Volume, including 100 Personal Volume, monthly in order to earn any of the bonuses set forth in this Chapter.

Personal Group Bonuses

To be bonus eligible, one must be a Distributor or higher. In addition, one must have a minimum of 100 Personal Volume.

Distributors, Associates, and Business Leaders qualify for Personal Group Bonuses as follows:

| Qualified As | PGV | % on Personal Volume* | % on 250 PGV Distributor Groups | % on 500 PGV Distributor Groups | % on 1000 PVG Associate Groups | % on 1500 PVG Associate Groups |
|--------------------|-------|-----------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Distributor | 250 | 4% | | - | - | - |
| Distributor | 500 | 8% | 4% | | - | - |
| Associate | 1000 | 12% | 8% | 4% | | |
| Associate | 1500 | 14% | 10% | 6% | 2% | - |
| Director or higher | 2000+ | 20% | 16% | 12% | 8% | 6% |

*This percentage is also earned on the volume of Preferred Members and Distributors who are not bonus eligible and are not in the group of another bonus-eligible Distributor or Associate.

Distributors and Associates must meet the monthly volume qualifications shown in order to be paid at the percentages shown.

The maximum Personal Group Bonus percentage that a Distributor or Associate may qualify for is 14%. A Business Leader in a volume grace month will receive the Personal Group Bonus percentage appropriate to his or her actual Personal Group Volume.

Differential Payment

Personal Group Bonuses are paid differentially, meaning that you earn the difference between the percentage you qualify for and the percentage qualified for by a Distributor or Associate in your Personal Group.

Example: Business Leader Howard sponsors Preferred Member Mary, who in turn sponsors Distributor Dave. Dave sponsors Distributor Darlene. Mary, Dave, and Darlene each purchase 250 PV personally. Howard has a total of 2000 PGV including the 750 from Mary, Dave, and Darlene as well as his personal PV and the PV of others in his Personal Group. Darlene qualifies for a 4% bonus because she has 250 PGV. Dave qualifies at the 8% bonus level because he has 500 PGV. He earns 8% on his Personal Volume of 250 and 4% on Darlene's Personal Volume of 250. Although Mary has 750 PGV, she is not eligible to earn a bonus because Members are

not bonus eligible. Howard qualifies at the 20% level because he is a qualified Business Leader. He earns 20% on his Personal Volume and 20% on Mary's Personal Volume of 250 and 12% each on Dave's and Darlene's Personal Volumes of 250.

Leadership Bonuses

Performance Requirements

A Business Leader must meet all rank maintenance requirements to be eligible for Leadership Bonuses. A Business Leader in a volume grace month (VGM) is not eligible to earn Leadership Bonuses.

A Business Leader is paid Leadership Bonuses at the rank for which he or she fully qualifies according to the requirements for each rank in Chapter 1 of this P&R.

| Dream Plan Leadership and Infinity* Bonus Schedule ¹ | | | | | | | | | | |
|---|--------|-----|--------|--------|--------|--------|--------|--------|----------|--------|
| GEN | SR DIR | CRD | SR CRD | EXEC | SR EX | KEY | SR KEY | MSTR | SM | PM |
| 1 st | 6% | 6% | 6% +2% | 6% +3% | 6% +4% | 6% +5% | 6% +6% | 6% +7% | 6% +7.5% | 6% +8% |
| 2 nd | 3% | 4% | 5% +2% | 6% +3% | 6% +4% | 6% +5% | 6% +6% | 6% +7% | 6% +7.5% | 6% +8% |
| 3 rd | | | +2%↓ | 4% +3% | 4% +4% | 4% +5% | 4% +6% | 4% +7% | 4% +7.5% | 4% +8% |
| 4 th | | | ∞ | +3%↓ | +4%↓ | 4% +5% | 4% +6% | 4% +7% | 4% +7.5% | 4% +8% |
| 5 th | | | | ∞ | ∞ | +5%↓ | +6%↓ | 3% +7% | 3% +7.5% | 3% +8% |
| 6 th | | | | | | ∞ | ∞ | +7%↓ | 3% +7.5% | 3% +8% |
| | | | | | | | | ∞ | +7.5%↓ | +8%↓ |

*Infinity Bonuses are paid differentially and are up to the percentages shown.

Shaklee reserves the right to withhold some of or all the Leadership Bonuses paid to a Business Leader on any downline Business Leaders when that Business Leader has failed to fulfil his or her leadership responsibilities. Other remedies may be applied for failure to fulfil the responsibilities of a Shaklee Leadership position, including retitling of rank or termination, as provided in Chapter 4.

At Shaklee's discretion, bonuses will not be reassigned to any upline Business Leader if the Business Leader from whom they are withheld has an overdue accounts receivable balance.

Infinity Bonuses

Senior Coordinators and higher are eligible to be paid Infinity Bonuses as follows:

| Paid-As Title | Infinity Bonus |
|------------------------------|----------------|
| Senior Coordinator | 2% |
| Executive Coordinator | 3% |
| Senior Executive Coordinator | 4% |
| Key Coordinator | 5% |
| Senior Key Coordinator | 6% |
| Master Coordinator | 7% |
| Senior Master Coordinator | 7.5% |
| Presidential Master | 8% |

Infinity Bonuses are paid differentially. A Business Leader is paid the difference between the percentage he or she qualifies for and the percentage his or her downline Business Leader qualifies for.

¹ In the event that a Dream Plan Business Leader has one or more Business Leaders in his or her organization who are in the Legacy Plan, the Business Leader will be paid on those Business Leaders according to the Legacy Plan.

Example: Key Coordinator Karen has four First Generation Business Leaders:

- David is a Director. Karen earns 5% Infinity Bonus on the Personal Volume of David and everyone in David's downline.
- Suzy is a Senior Coordinator with two First Generation Senior Directors, and they each have a First Generation Director of their own. Karen earns 3% Infinity Bonus on the Personal Volume of Suzy and everyone in Suzy's entire downline. Suzy earns 2% Infinity Bonus on the Personal Volume of her two First Generation Business Leaders and their entire downline.
- Carol is a Senior Coordinator with two First Generation Business Leaders: Denise is a Director and Kevin is a Key Coordinator. Karen earns 3% Infinity Bonus on the Personal Volume of Carol and Carol's entire downline, down to but excluding Kevin and his downline. She does not earn an infinity bonus on Kevin or anyone downline from Kevin because Kevin is also a Key Coordinator and his Infinity Bonus percentage is the same as Karen's percentage.
- Sam is a Senior Director with a First Generation Executive Coordinator, Edward. No one in Edward's organization has a higher title than Executive Coordinator. Karen earns 5% Infinity Bonus on the Personal Volume of Sam and everyone in Sam's downline, down to but excluding Edward and his downline. She earns 2% Infinity Bonus on the Personal Volume of Edward and everyone in Edward's downline. (Karen qualifies at 5% and Edward qualifies at 3%, so Karen earns the 2% difference).

Matching Bonuses

Senior Key Coordinators and higher are eligible to be paid a Matching Bonus on the Infinity Bonus earnings of the first downline Business Leader in any leg who matches their Paid-As title. The Matching Bonus percentage increases as the Paid-As title increases:

| Paid-As Title | Matching Bonus |
|---------------------------------|----------------|
| Senior Key Coordinator | 10% |
| Master Coordinator | 15% |
| Senior Master Coordinator | 20% |
| Presidential Master Coordinator | 25% |

Example: Master Coordinator Mary is First Generation to Presidential Master Peter. Mary has three Business Leader legs that include Master Coordinators:

- Master Coordinator Marvin is First Generation to Mary. Master Coordinator Melissa is Fourth Generation to Marvin. Marvin and Melissa each earn \$5,000 in Infinity Bonuses. Mary earns 15% (\$750) of the \$5,000 Marvin earned in Infinity Bonuses, and Marvin earns 15% (\$750) of the \$5,000 Melissa earned in Infinity Bonuses.
- Master Coordinator Mark is Third Generation to Mary, with a Coordinator and a Senior Director in between them. Mark earns \$1,000 in Infinity Bonuses. Mary earns 15% of \$1,000, or \$150.
- Master Coordinator Mandy is Second Generation to Mary, and the intervening First Generation Business Leader is Presidential Master Patricia. Mary does not earn a Matching Bonus on Mandy's Infinity Bonuses because there is an intervening Business Leader with a higher title. Mary's upline, Peter, will earn 25% of the Infinity Bonuses earned by Patricia.

Presidential Master Coordinator Organization Bonuses

Presidential Master Coordinators are paid an additional Infinity Bonus when they develop Presidential Master Coordinators in one or more Business Leader legs within their organizations. The bonus is paid truly to infinity, as follows:

- A Paid-As Presidential Master Coordinator receives ½% of the entire Organizational Volume (OV) of the first Paid-As Presidential Master Coordinator downline in a given leg, down to but excluding the OV of the second Paid-As Presidential Master Coordinator down that leg
- A Paid-As Presidential Master Coordinator receives ¼% of the entire Organizational Volume of the OV of the second Paid-As Presidential Master Coordinator downline in a given leg, down to but excluding the third Paid-As Presidential Master Coordinator down that leg
- A Paid-As Presidential Master Coordinator receives ⅓% of the entire Organizational Volume of the OV of the third Paid-As Presidential Master Coordinator downline in a given leg, down to but excluding the fourth Paid-As Presidential Master Coordinator down that leg
- A Paid-As Presidential Master Coordinator continues to receive half the previous percentage on each succeeding Paid-As Presidential Master Coordinator and their organizations until there are no more Paid-As Presidential Master Coordinators in that leg

Car Bonus Program

Shaklee offers qualified Senior Directors and above the opportunity to earn a monthly Car Bonus. For details about the Car Bonus Program, including qualifications and bonus amounts, see the Incentives Booklet, published annually.

Price Differential

Business Leaders pay DP (Distributor Price). The default price for Members, Distributors, and Associates is MP (Member Price); however, they may be given DP pricing at the option of their Business Leader of record. (DP pricing means that the Member, Distributor, Associate, or Business Leader will pay DP at the time they place their orders.)

- Distributors and Associates who have 500 Personal Group Volume, including 100 Personal Volume, monthly will earn MP/DP price differential, which will be paid to them in their monthly bonus cheque².
- Business Leaders, if they choose, may also offer the opportunity to earn the MP/DP price differential to Distributors and Associates when they have 250 Personal Group Volume, including 100 Personal Volume, monthly. (Shaklee must receive notification that the Business Leader wishes to make this choice no later than the last working day of the calendar month for which it is to be effective.)
- Business Leaders may also choose not to make Distributors and Associates in their Personal Group eligible to earn the MP/DP price differential. (Shaklee must receive notification that the Business Leader wishes to make this choice no later than the last working day of the calendar month for which it is to be effective.)

Distributors or Associates who earn MP/DP price differential earn the differential on their own orders, if placed at MP, as well as on orders placed at MP of the Members, Distributors, and Associates downline from them, down to but excluding the next Distributor or Associate who is also qualified to earn the MP/DP Differential. Any MP/DP price differential not paid to a Distributor or Associate is paid to the Business Leader of record.

MP/DP price differential will not be paid to a Distributor, Associate, or Business Leader in another country unless that country is the United States.

Example: Business Leader Jane is the sponsor of Distributor Kevin, who is the sponsor of Associate Drew, who is the sponsor of Distributor Matt. Jane uses the default option and her Distributors and Associates are eligible to earn the MP/DP price differential when they have 500 Personal Group Volume, including 100 Personal Volume, monthly. Kevin, Drew, and Matt all pay MP at the time they order.

² Distributors and Associates remain eligible to earn Personal Group Bonuses when they have 250 Personal Group Volume, including 100 Personal Volume, as described in the section on Personal Group Bonuses in this Chapter.

In October Kevin has orders totalling 100 PV, Drew has orders totalling 300 PV, and Matt has orders totalling 500 PV. Matt has 500 Personal Group Volume and receives the MN/DP price differential on his own orders. Drew has a total of 800 Personal Group Volume (his 300 plus Matt's 500) and receives the MP/DP price differential on his own orders. Kevin has a 900 Personal Group Volume and receives the MP/DP price differential on his own orders. He does not receive any price differential on Drew's orders or Matt's orders because the price differential on those orders has been paid to Drew.

In November, Kevin has orders totalling 50 PV, Drew has orders totalling 300 PV, and Matt has orders totalling 200 PV. Matt has less than 500 Personal Group Volume and does not qualify to earn the MN/DP price differential this month. Drew has 500 Personal Group Volume and receives the MP/DP price differential on his orders and Matt's orders. Although Kevin has 550 Personal Group Volume, he has less than 100 Personal Volume and does not qualify for the MP/DP price differential this month. Business Leader Jane receives the MP/DP price differential on Kevin's orders.

Individual Bonus Policies

Although Shaklee's policy is to pay bonuses directly to qualified Distributors, Associates, and Business Leaders, if a Business Leader wishes to pay bonuses to qualified Distributors and Associates in his or her Personal Group, rather than have the Company pay them, the Business Leader may contact Shaklee Field Support for an exception to the policy:

- Business Leaders who choose to pay bonuses to their Personal Groups are required to comply with federal and provincial tax laws.
- As an independent business person, the Business Leader may choose not to adhere to the Personal Group Bonus schedule and price differential policy published by Shaklee when paying bonuses to Distributors and Associates in his or her Personal Group.
- The Business Leader must state in writing his or her individual policies concerning bonuses, price tiers, and eligibility for price differential prior to the time that a prospective Member or Distributor completes and signs a *Shaklee Application* or equivalent, so that people interested in becoming Distributors will not be misled into assuming that their Business Leaders will pay bonuses in accordance with the Personal Group Bonus Schedule published by Shaklee, or that their Business Leaders will offer pricing discounts or eligibility for price differential in accordance with materials published by Shaklee.

A promise to pay a bonus is a contractual commitment that Business Leaders must honor by prompt payment.

Chapter 3

Business Policies

General Sales Policies

Shaklee sells its products directly to all Shaklee Business Leaders and to those Members, Distributors, and Associates who choose to order directly from Shaklee. Shaklee credits the appropriate account with the PV for the orders placed directly with Shaklee. Those Shaklee Family Members who do not order directly from Shaklee may purchase their products from their Distributors, Associates, or Business Leaders of record.

Shaklee Independent Distributors may not sell or ship products directly from the Company, by means of temporary address changes, to Shaklee Family Members who were sponsored outside their Personal Groups without an agreement with the Business Leader of record to ensure that the PV is transferred to the Shaklee Family Member to whom the products were shipped.

All Shaklee Independent Distributors are free to sell to any retail customer who is not sponsored into Shaklee, even if another Shaklee Independent Distributor is supplying the customer.

All Shaklee Independent Distributors must provide each customer with a receipt in duplicate at the time of each sale. The receipt must contain each of the Company's and the Distributor's name, address, and telephone number, as well as the wording outlined in the Canadian Direct Sellers Association Code of Ethics ("DSA Code"). Distributors must retain one copy of each receipt for a period of three years. Shaklee has a compliant receipt form available at <https://ca.shaklee.com/popular-business-forms> and a compliant receipt booklet available for purchase by Distributors (#60014).

Price Tiers

All Preferred Members, Distributors, and Associates are eligible for Member Price or "MP" when ordering directly from the Company.

Business Leaders, as well as any Preferred Members, Distributors, or Associates designated by their Business Leaders of Record, are eligible for Distributor Price or "DP," which reflects a discount of **15% off the MP**, when ordering directly from the Company.

Shaklee Independent Distributors are free to determine for themselves the prices they charge when reselling products from their inventory. Please note that Shaklee Canada Inc. submits directly to the appropriate government(s) all taxes collected on the MP on your behalf through the alternate collection method. (For more information about the alternate collection method for GST/HST, refer to the GST Memo 14.1 for Direct Sellers, which is available at the Canada Revenue Agency Website.) If you choose to sell products for a price higher than MP, you will be responsible to submit these extra taxes directly to the appropriate government(s).

Export/Import Policy

The products of Shaklee Canada Inc. have been formulated, manufactured, and labelled to comply with Canadian regulatory requirements. The Shaklee products formulated, manufactured, and labelled to comply with the laws of other countries, including the United States, do not necessarily comply with Canadian regulatory requirements. Therefore, Shaklee Independent Distributors may not, directly or indirectly, export the products of Shaklee Canada Inc. for resale in another country, nor may a Shaklee Independent Distributor directly or indirectly import Shaklee products from another country for resale within Canada. Shaklee Canada Inc. will not honour any product guarantee or warranty for products sold in violation of this provision, and any Shaklee Family Member or Shaklee Independent Distributor engaging in such sales will be solely responsible for the products and any related claims or complaints.

Shaklee Independent Distributors may, however, sell and ship Shaklee products to purchasers in other countries where Shaklee does not do business for the purchaser's personal use only, and not for resale to others. If Shaklee operates a business in any market, products of another country may not be shipped to that market for any purpose whatsoever.

Product Refund and Return

The Shaklee Guarantee

If any Member or retail customer is not satisfied with any Shaklee product, that person may send it back to his or her Distributor or to Shaklee for a full refund, even if the container is empty – no questions asked.

Shaklee Independent Distributors must honour the Shaklee Guarantee by providing immediate refunds (or exchanges) on sales of personal use quantities (unit sales) to consumers dissatisfied with the products. In addition, the Company will accept returns and refund the purchase price under the Shaklee Guarantee when the products were purchased directly from Shaklee. (The Shaklee Guarantee does not apply to product purchased for resale. See Inventory Returns, below.) Water treatment units are covered by a 60-day guarantee and certain warranties rather than by the Shaklee Guarantee.

Shaklee Independent Distributors should refund the full purchase price to their customers before obtaining reimbursement of the price they paid from Shaklee. Shaklee will process returns under the Shaklee Guarantee provided Distributors submit a *Product Experience Report (PER)* by fax, mail, or scan and e-mail. Applicable price differential and PV will be reversed and deducted from the upline of record, making the transaction revenue neutral for all parties.

If the purchase price of the returned products is greater than \$100, the product must be returned to Shaklee before credit is issued. A Product Return Authorization (PRA) number must be obtained from Shaklee for these returns, and the customer is responsible for paying the shipping cost of the return.

The Company may refuse to refund the purchase price of any product if the Company determines in its sole discretion that a customer is abusing the Shaklee Guarantee.

Inventory Returns

To obtain refunds for inventory returns (as opposed to consumer refunds under the Shaklee Guarantee), Shaklee Independent Distributors must resign their distributorships. Inventory returns consist of products purchased for resale or in quantities that could be construed to be greater than an individual or individual family could be reasonably expected to consume. In addition, returns of Success Packs, as well as Distributor Welcome Packs, are considered inventory returns for purposes of this policy.

The Company will accept returns of product inventory as long as the products:

- Are in good, saleable condition. Products for return must not be past their expiration date, if applicable, or the shelf life of the products. They must have been purchased less than one (1) year before the date of return.
- Are unopened, with seals and labels intact, except in the case of Success Packs and Distributor Welcome Packs.
- Show a printed expiration date on the label (if applicable) that is three or more months after the date of return.

The resigning Distributor is responsible for the cost of shipping the returned products to Shaklee.

Shaklee will make the refund at the purchase price and will deduct from the refund the bonuses paid to the resigned Shaklee Independent Distributor on the returned inventory, as well as a 10% handling charge. Shaklee reserves the right to recapture bonuses and Price Differential from the upline Shaklee Independent Distributors and Business Leaders who were paid those bonuses on the products returned.

Fees and Charges

Insufficient Funds/Chargebacks

When Shaklee receives a notice from a bank that an Electronic Funds Transfer (ETF) or any other payment has been denied for any reason, a fee equal to 2% of the face amount of the denied payment (\$15 minimum) will be assessed. The 2% fee will be reflected on the Bonus Statement. The Company, in its sole discretion, may place a Distributor on “No EFT” (NFT) status on either a temporary or permanent basis. Shaklee reserves the right to verify that bank balances are sufficient to cover the cost of orders.

Orders must be paid for at the time the order is placed by either an EFT or a credit card. In the event that there is an accounts receivable balance, Shaklee will deduct it from bonuses earned and the deduction will be reflected on the Bonus Statement. If the accounts receivable balance exceeds the bonus earned, it will be carried forward to the next month and Shaklee will charge the Distributor a 1% fee on the overdue amount or the maximum fee allowed by law, whichever is less.

Re-routing Fees

Any Shaklee Independent Distributor who provides the Company with an incorrect address for delivery of product may be assessed a re-routing fee at the Company’s discretion.

Direct Selling Rules

The Shaklee opportunity, products, and trademarks are designed specifically for direct selling. Accordingly, Shaklee Independent Distributors may not sell or promote the sale of Shaklee products to or from retail stores, Internet auction sites, electronic shopping malls, electronic kiosks, or the like, either directly or through third parties, except as provided herein. Shaklee Independent Distributors may not advertise on television or radio. Advertising on the Internet must be in accordance with the sections Doing Business on the Internet and Advertising Policy in this Chapter.

Exclusive Shaklee Training Centres

Shaklee Independent Distributors may choose to have a Shaklee Training Centre under the following rules:

- A Shaklee Training Centre must look like an office, not a store, and it must be used exclusively for Shaklee business (no other products may be displayed). You may display Shaklee products, but product displays must be screened from outside view.
- In your training centre you may sell Shaklee products to Shaklee Family Members in your Personal Group, to prospects attending Shaklee sales meetings, and to people enrolled in training classes conducted there. You may not sell Shaklee products to Shaklee Family Members in the Personal Group of another Business Leader.
- You may place an authorized Shaklee sign, purchased at your own expense, which bears your Shaklee trade name and the Independent Distributor logo, on the exterior of your training centre (a reproducible copy of the logo can be obtained from Shaklee). No other sign may be displayed. No deviation from these guidelines or specifications is acceptable without written authorization from Shaklee:
 - The sign must not exceed 24 inches by 48 inches (61 cm by 122 cm) in dimension
 - The sign must contain the Shaklee Independent Distributor logo with the registered trademark symbol (®) included to the right of the logo (note: the Shaklee corporate logo may NOT be displayed on any sign)
 - The sign may include only the name, DBA name, address, e-mail address, and/or telephone number of the Shaklee Independent Distributor

- The authorized sign may be placed in a window or on a door of your training centre; it may not be part of a freestanding display
- Neon lights or other types of lighting may not be used on the sign

Non-exclusive Commercial Locations

A commercial facility that is not used exclusively for Shaklee business may serve as a training centre. To avoid being classified as a prohibited retail store your commercial business location must comply with the following:

- No Shaklee products (other than products in use) may be displayed in areas accessible to walk-in traffic, and no signs containing the Shaklee tradenames, trademarks, or logos may be displayed in or outside the facility.
- You may sell Shaklee products in the commercial facility only to members of your own Personal Group and only in an area that is totally separate from other commercial activities.
- Service establishments: you may sell Shaklee products and sales aids through service establishments that require membership or an appointment, such as health and exercise clubs, spas, and health care professional offices. The services performed in the establishment must relate to health and wellness. Advertising in a service establishment is limited to official Shaklee Canada Inc. materials. Products and/or sales aids may not be visible from the outside of the establishment.
- Restaurants and health food bars: you may sell Shaklee products through restaurants and health food bars so long as the products are sold in individual servings and not in full bottles or containers for carry-out. Advertising in a restaurant or health food bar is limited to official Shaklee Canada Inc. materials on the exterior or interior of the public area. Menus must list the product name only with only those claims that are set forth on the product label with no changes whatsoever.
- Trade shows, expositions, and other sales forums: you may display and/or sell ONLY Shaklee products at trade shows, professional expositions, fairs, exhibitions, business and job opportunity fairs, and the like so long as the appearance of the display upholds Shaklee's high-quality image. Shaklee products may not be sold at swap meets, garage sales, or flea markets, as these events are not consistent with Shaklee's professional image.

Ethical Business Practices

Shaklee Independent Distributors have the responsibility to uphold the reputation of Shaklee products and the Shaklee opportunity by conducting their businesses in a lawful and ethical manner. This policy is stated in the following cardinal rule, which all Shaklee Family Members must observe:

No product claims or compensation plan claims may be made other than those authorized in the *P&R*, the Incentives Booklet, Shaklee publications, product literature, labels, and/or the Shaklee Compensation Plan and related materials.

Shaklee Independent Distributors have a responsibility to be familiar and comply with the currently effective provisions of the Compensation Plan, as outlined in the *P&R*, and other current policies announced in Shaklee publications.

Unauthorized Claims and Practices

Deceptive or Unlawful Consumer or Recruiting Practices

Unauthorized claims include any verbal statements, printed or electronic material, or audio or video recordings used to promote the sale of Shaklee products or the Shaklee opportunity that are unsubstantiated by, or inconsistent with, the product claims, usage directions, and compensation plan provisions published by Shaklee.

Shaklee Independent Distributors shall not engage in any deceptive, false, unethical, or unlawful consumer or recruiting practice.

Because Shaklee nutritional products are non-prescription drugs, no Shaklee Family Member may make any unauthorized claim that Shaklee nutritional products are useful in the treatment or cure of any disease or health-related condition.

Shaklee Independent Distributors are responsible for unauthorized claims made at their meetings by guest speakers, including physicians or other health care professionals.

Shaklee Independent Distributors may not sell products that are damaged, reworked, or past their expiration date.

No Shaklee Family Member may make any statement that disparages or in any way damages the reputation of Shaklee or Shaklee products.

Unauthorized compensation plan practices or misrepresentations of the compensation plan, such as exaggerated earnings claims and encouraging inventory loading, are strictly prohibited. Inventory loading is the practice of urging Shaklee Independent Distributors to purchase more product inventory than they can reasonably be expected to sell within a reasonable period of time.

When you make earnings claims, you must disclose average annual earnings by rank for the most recent calendar year, or such other period of time as published by Shaklee. Earnings claims include any oral, written, or visual claim that conveys, expressly or by implication, a specific level or range of actual or potential sales; or gross or net income or profits, including but not limited to claims that either explicitly or implicitly suggest that lifestyle purchases such as homes, vehicles, and trips are related to income earned.

No Investments on Behalf of Another Member

No Shaklee Independent Distributor or Preferred Member may solicit or accept funds to invest from any other Shaklee Distributor or Preferred Member except someone with whom he or she had a prior relationship, as evidenced by having personally sponsored the Distributor or Preferred Member.

Payment of Fees

Shaklee prohibits the practice of paying “headhunting” fees. This is a monetary reward or fee paid by a Shaklee Independent Distributor to a person or agency when a potential Shaklee Independent Distributor who the person or agency has introduced to the Shaklee Independent Distributor joins or attains a certain level in Shaklee. The Shaklee Compensation Plan stipulates that all rewards and bonuses are ultimately based on the sale of Shaklee products, and paying a fee for assistance in recruiting someone is contrary to this policy.

Business Tools/Training/Sales Aids Prepared, Distributed, and/or Sold by Shaklee Independent Distributors

Shaklee Independent Distributors shall not require or ask Distributors in their organizations to pay training fees, fees for promotional materials, or other fees related solely to the right to participate in the Shaklee opportunity.

Shaklee Independent Distributors may sell business tools (meaning sales aids and training material not prepared by the Company) to other Distributors in their organizations at a price no greater than the cost to produce the business tools being sold. Such business tools must be for the purpose of selling Shaklee products, building a Shaklee business, or training or motivating the purchasing Distributor’s downline. If such business tools are offered online or offered for sale online, the Shaklee Independent Distributor must be in compliance with Rule 9 of Doing Business on the Internet. Shaklee Independent Distributors who sell business tools must offer a reasonable written return policy and must retain records of all sales and returns for a period of two years.

Shaklee Independent Distributors may NOT sell business tools to any Distributor in another Shaklee organization.

The sale of business opportunity leads or product leads is prohibited. The term “leads” includes prospects for Shaklee products or the Shaklee opportunity. Shaklee Independent Distributors may generate leads for their own use or for free distribution to their downlines but may not sell leads to other Distributors.

Except as provided in the section “Doing Business on the Internet,” Shaklee does not review or approve literature prepared by Shaklee Independent Distributors. Therefore, materials and statements published by Shaklee Independent Distributors that imply approval or endorsement by Shaklee are prohibited.

Shaklee Independent Distributors may distribute literature (newspaper or magazine articles, health newsletters, reputable studies about nutrition, etc.) relating dietary supplements to disease or health-related conditions only if the literature is printed in its entirety and meets the following criteria (as always, copyright law applies):

- It is not false or misleading
- It does not specifically promote the Shaklee brand
- It presents a balanced view of the available scientific evidence
- It does not attach other information, such as your Shaklee business card or name

Privacy

Shaklee Independent Distributors shall take appropriate steps to safeguard all private information provided by Distributors and Members in their organizations, as well as the private information of retail customers.

Product Liability Insurance

Shaklee Canada Inc. provides indemnification and defence coverage for Shaklee Independent Distributors against claims for accidental injury or property damage arising from defects in Shaklee products after sale. However, you may not, and Shaklee product liability insurance will not protect you if you:

- Make any product representation or warranty not authorized by Shaklee in current Company publications, Company literature, or product labels
- Distribute product sales literature or sales aids that are not published by Shaklee Canada Inc., are not current, or advocate unauthorized claims or uses regarding the products (note: Shaklee Canada Inc. does not approve literature or sales aids written or produced by Shaklee Independent Distributors)
- Sell products or distribute samples of products that have been repackaged or removed from their original containers
- Make any physical or chemical change to the product or change its label

Unfair Business Activity

Shaklee Independent Distributors acknowledge that, as Shaklee Independent Distributors, they will obtain valuable information about Shaklee and other Distributors and Members that would not otherwise be available to them. Shaklee Independent Distributors further acknowledge that such information is owned by Shaklee, and that any misuse or appropriation of such information would cause harm to Shaklee. In order to protect Shaklee’s valuable information, business reputation, and the hard work and dedication of Shaklee Independent Distributors, Shaklee adopts the following rules:

Direct Selling Companies

No Shaklee Independent Distributor may commingle their Shaklee business, in any way, with that of another direct selling company. This includes:

- Promoting the products of another direct selling company to Shaklee Family Members
- Soliciting Shaklee Family Members to join another direct selling company
- Selling Shaklee and non-Shaklee products together

- Using the Shaklee name or meetings in any manner to promote the opportunity or products of another direct selling company

A Shaklee Independent Distributor who holds the Paid-As Rank of Coordinator or above may not have any involvement with another direct selling company so long as his or her contract with Shaklee is in effect. This means that such Shaklee Independent Distributor may not join or act as a consultant to another direct selling company; sponsor anyone directly or indirectly, including but not limited to any Shaklee Family Member, into another direct selling company; or promote the products, services, or opportunity of another direct selling company to anyone, including but not limited to any Shaklee Family Member.

Non-Direct Selling Companies

Shaklee Independent Distributors may sell the products or services of non-direct selling companies so long as they adhere to the following requirements:

- Shaklee products and literature must be kept separate from non-Shaklee items to avoid confusion between different companies' product lines and sales literature
- Shaklee Independent Distributors must not use Shaklee trade names, trademarks, service marks, Shaklee goodwill, a Shaklee Distributorship, a Shaklee meeting, a Shaklee conference, or anything relating to Shaklee to promote the products or services of another company
- Shaklee Independent Distributors who own or operate a separate health and wellness business, such as a medical or chiropractic office or fitness studio, may operate their Shaklee business under the name of their health and wellness business provided:
 - They do not sell in their health and wellness business products that compete with the products sold by Shaklee;
 - Shaklee determines in its sole discretion that the name of the health and wellness business is not detrimental to the Shaklee brand; and
 - They indemnify, defend, and hold harmless Shaklee from any suit, action, demand, prosecution, or claim of any kind, and any related cost or liability, relating to or arising out of the conduct of their health and wellness business. Shaklee may offset reasonable amounts against amounts which otherwise would be due to the Shaklee Independent Distributor to cover such indemnity.

Doing Business on the Internet

The Internet provides all Shaklee Distributors exciting new opportunities to connect, communicate, recruit, and sponsor. And with these opportunities comes the responsibility to conduct oneself online in a manner that is in keeping with the good name of Shaklee and the guiding principles of the Shaklee philosophy of doing business by the Golden Rule.

The purpose of this Internet policy is to encourage ethical, responsible, and professional use of electronic communication; to maintain a level playing field for all Shaklee Distributors; to protect the integrity of the Shaklee name and trademarks; and to ensure compliance with regulatory requirements.

Although there are additional provisions elsewhere in this *P&R* that apply to conducting business on the Internet, such as the prohibition against making unauthorized claims for Shaklee products, the following provisions apply specifically to the Internet. These rules apply to all Canadian Distributors wherever they are doing business.

Permitted Online Business Practices

Shaklee Distributors may advertise online so long as they comply with the advertising policy in this *P&R* and do NOT represent any ad as being placed by Shaklee Canada Inc. or Shaklee Corporation or any of its subsidiaries or divisions.

Shaklee Distributors may submit ads they would like to use online to Shaklee for review by forwarding them to Shaklee Field Support at Canada@shaklee.com.

1. Pay-Per-Click Ads, Classified Ads, or Text Ads

Shaklee Distributors may use "Shaklee" and/or Shaklee product names, images, and trademarks in advertisements on pay-per-click search engines, online classified ads, blog exchange links, and text ads on other Websites so long as the words "Shaklee Independent Distributor" or "Shaklee Ind. Dist." or "Shaklee Distributor" or "Shaklee Dist." are prominently used in the initial view of the ad; the other rules set forth below are followed; and only claims that are listed in Shaklee Canada Inc. communications and literature are used verbatim (i.e., with no changes).

2. Graphical Ads for Online Use

Only banner ads or other graphical marketing materials prepared and approved by Shaklee Canada Inc. may use "Shaklee" or any Shaklee product name, image, trademark, or copyrighted material.

Shaklee Distributors may create or purchase generic banner ads, Websites, or audio or video content for online use that may link to their Shaklee Personal Websites (PWS) so long as the material does not use the name "Shaklee" or any Shaklee product name, trademark, or copyrighted material; does not make any unauthorized product or earnings claims; and does not create false or misleading statements in their online prospecting or recruiting practices. Banner ads may not link to any other multilevel marketing (MLM) or opportunity sites, including any training or tools sites, or sites offering competing products. However, Shaklee Distributors may link to Shaklee-specific opportunity sites used solely for the sale of Shaklee products and not for the sale of any other training or tools.

3. Personal Blogs and Social Networking Sites

Shaklee Distributors may use the name "Shaklee", product names, and images created by Shaklee Canada Inc. images on their blogs or social networking sites so long as they identify themselves as Shaklee Independent Distributors in the initial view of the site and do not make any unauthorized product or earnings claims or create false or misleading statements. Site content may not be substantially about Shaklee, the Shaklee opportunity, or Shaklee products, as it will then be subject to Shaklee Canada Inc.'s review and approval as provided in Rule 3 of *Prohibited Online Business Practices*, below.

4. Postings on Blogs, Message Boards, Forums, Social Networking Sites, Social Search Sites, and Chat Rooms

Shaklee Distributors may advertise their Shaklee businesses and link to their Shaklee PWS or other Website used to introduce people to Shaklee using postings or comments on message boards, blogs, forums, social networking Websites, social search sites, or other online community areas. Distributors must comply with the rules of the online community in which they participate, must not make any unauthorized product or earnings claims, must not create false or misleading statements, and must clearly identify themselves as Shaklee Distributors in their posting, comment, or online chat if they choose to advertise or display a link to their Websites. Shaklee Distributors who wish to market their Shaklee PWS link must purchase a domain name for such purpose, which may be redirected to their Shaklee PWS.

5. Links and Hyperlinks

Shaklee Distributors may link or hyperlink from their independent blogs or Websites to their Shaklee PWS using a Shaklee trademark so long as it is clear the link or hyperlink is by a Shaklee Distributor and not Shaklee Canada Inc. or Shaklee Corporation. Shaklee Distributors may not link to any other MLM or opportunity sites, including any training or tools sites, or sites offering competing products. However, Shaklee Distributors may link to Shaklee-specific opportunity sites used solely for the sale of Shaklee products and not for the sale of any other training or tools.

Shaklee Distributors may link from their Shaklee PWS to their independent sites provided their independent sites are Shaklee-specific and used solely to sell Shaklee products and not any training, tools or non-Shaklee products, and further provided they comply with these Rules and Guidelines and the terms of their Shaklee.net agreements.

6. Video and Audio for Online Use

Shaklee Distributors may create video and audio content for use on the Web so long as the content does not make any unauthorized product or earnings claims, promote unauthorized product use, create false or misleading

statements, or use "Shaklee" or any Shaklee product names, trademarks, or images unless the content was created and approved by Shaklee Canada Inc. and is used verbatim (i.e., with no changes).

Prohibited Online Business Practices

The following online activities are not permitted. Breach of any of these rules may lead to temporary or permanent suspension of your Shaklee PWS, withholding of bonuses, and any other appropriate remedies for breach, up to and including termination of your Shaklee distributorship.

If you become aware of any breach of these rules, please send an e-mail message to Canada@shaklee.com.

1. Shaklee Distributors may not purchase or use a domain name or Website URL that contains "Shaklee," a near spelling of the name "Shaklee," or any Shaklee product name, slogan, or trademark. Examples include:
 - a. www.shakleeliving.com – NOT PERMITTED (Shaklee name)
 - b. www.getcleantoday.com – NOT PERMITTED (trademark)
 - c. www.creatinghealthierlives.com – NOT PERMITTED (trademarked slogan)
 - d. www.homecleanhome.com – PERMITTED
 - e. www.greatinchloss.com – PERMITTED
2. Shaklee Distributors may not name their PWS or create an e-mail address using "Shaklee" or any Shaklee product name or trademark. Shaklee Distributors may NOT use any term or near spelling of the Shaklee name that implies or suggests that they are Shaklee Canada Inc. or Shaklee Corporation rather than Shaklee Independent Distributors. Examples include:
 - a. www.shaklee.net/shakleeorders – NOT PERMITTED
 - b. www.shaklee.net/homeoffice – NOT PERMITTED
 - c. shaklee@yahoo.ca – NOT PERMITTED
 - d. shakleeproducts@aol.com – NOT PERMITTED
 - e. www.homecleanhome.com – PERMITTED
 - f. healthyliving@earthlink.net – PERMITTED
3. Shaklee Distributors offering Field support and/or training, or online resources to their Shaklee teams, or to the Shaklee Field in general, must gain approval for independent Website content in order to use any product name, trademark, or product picture on any Web page open to the public, other than their PWS. Any site content that has not been specifically approved must be a password-protected site using a password that cannot be determined by individuals seeking to enter the site who have not been personally invited:
 - a. Shaklee Distributors offering online Field training, resources, or Websites may not sell these tools or services to other Shaklee Distributors unless they:
 - i. Have been a Business Leader for at least 10 years
 - ii. Hold the rank of Executive Coordinator or higher, and
 - iii. Adhere to an established limit on the allowable cost of such materials and tools of \$25 per item or monthly subscription fee
 - b. Shaklee Distributors may not offer for sale online to other Shaklee Distributors any Field tools, including but not limited to DVDs, lead-generation programs, books, or tapes, unless they:
 - i. Have been a Business Leader for at least 10 years
 - ii. Hold the rank of Executive Coordinator or higher, and

- iii. Adhere to an established limit on the allowable cost of such materials and tools of \$25 per item or monthly subscription fee
 - c. Proposed Web pages and text must be submitted to Shaklee Field Support at Canada@shaklee.com for approval. Upon approval, the sites or page can be created. However, no alterations whatsoever may be made from the approved version.
- 4. Shaklee Distributors may not use “Shaklee” or Shaklee product names or trademarks in a meta tag or title tag; nor may they imply or suggest that they are Shaklee Canada Inc. or Shaklee Corporation rather than Shaklee Independent Distributors.
- 5. Shaklee Distributors may not use any title or description on any Website or blog that implies or suggests that they are Shaklee Canada Inc. or Shaklee Corporation rather than Shaklee Independent Distributors. Shaklee Distributors may not use "Shaklee" or any Shaklee product name or trademark on back-door pages, or any other means to gain position in any search engine or online directory.
- 6. Shaklee products may not be marketed or sold on Amazon, eBay, Taobao, Craigslist, Backpage, Kijiji, other online auction Websites, or any e-commerce sites or price-comparison Websites that list other products. Distributors may not market directly on these sites or through the use of any other individuals or agents. Distributors may advertise the Shaklee opportunity on these sites so long as they do so in compliance with Rules 1–6, above.
- 7. Shaklee Distributors may not advertise any product price, discounts, giveaways, or incentives on any Website or blog other than those currently offered by Shaklee Canada Inc. However, Shaklee Distributors may advertise promotional product samples having a retail value of no more than \$2.00. Shaklee memberships and distributorships may only be offered at cost.
- 8. Shaklee Distributors may not commingle the purchase of Shaklee products with the purchase of other products or services in a shopping cart online. To ensure the integrity and presentation of Shaklee products online, Shaklee Distributors must use the Shaklee PWS shopping cart only for any online sale of Shaklee products.
- 9. Shaklee Distributors may not make false or exaggerated claims of financial earnings on any Website, blog, e-mail, or online advertisement. Any claims of financial earnings must also prominently display or link to the average earnings by rank as published by Shaklee Canada Inc.
- 10. Shaklee Distributors may not make any claim that a Shaklee product is useful in the treatment, prevention, or cure of any disease on any Website unless such claim is found on labels or in product literature published by Shaklee Canada Inc.
- 11. Shaklee Distributors may not create any other false or misleading statements about themselves, the Shaklee opportunity, or Shaklee products in their online prospecting or recruiting practices.
- 12. Shaklee Distributors may not send unsolicited e-mails. All email communication to any list of people, such as the use of an online newsletter, an autoresponder campaign, or other group online communications, must fully comply with Canada’s Anti-Spam Legislation (CASL).
- 13. Shaklee Distributors may not sell or facilitate the sale of any Websites or pages to any Shaklee Family Member.

Transferring Sponsorships Online

Shaklee Canada Inc. recognizes that from time to time new prospects may accidentally sign up on the wrong PWS, or under the wrong sponsor, through no fault of the Website owner. In those occurrences, the new Member/Distributor and/or his or her current upline Business Leader may contact Shaklee by fax or scan and e-mail the simplified *Reorganization* form within 30 days of signing up online to get transferred to the correct sponsor. After 30 days, transfers from one sponsor to another Shaklee group can take place only using the current *Reorganization Application* form with all required signatures as described in Chapter 6 of this *P&R*. Both forms can be found at <https://ca.shaklee.com/popular-business-forms>.

Enforcement of Online Rules and Guidelines

The establishment of these Rules and Guidelines for doing business on the Internet brings broader opportunities for doing business online. They also provide clarity on appropriate and inappropriate online conduct. With the greater clarity and broader opportunities provided come an enforcement and compliance policy of these Rules and Guidelines to which the Company will strictly adhere.

Any breach of these Rules and Guidelines may result in the temporary and/or permanent suspension of your Personal Website (PWS) and/or any of the remedies for breach set forth in Chapter 4 of the *P&R*, in the section titled Compliance With Shaklee Policies.

For more than 60 years, the Shaklee name and way of doing business have been synonymous with excellence and integrity and the Shaklee philosophy of doing business by the Golden Rule.

Definitions

Banner ad: Website advertisement that uses animation to attract interest. Ads will contain a link to either a different section of the Website or a different Website altogether.

Back door page: Pages not viewable to the public that are used to optimize a site's hierarchy on a search engine.

Blog: Short for "Web log," a specialized site that allows an individual or group of individuals to share a running log of events and personal insights with online audiences (e.g., Blogspot.com).

Chat room: An area online where people can chat with others in real time made available through an online service provider (e.g., Yahoo chat).

Hyperlink: A clickable link using text or graphics on a Web page that takes you to another place, be it on the same page, same site, or another site.

Link: A navigation element in a Website that takes you to another place in the site or to another site altogether.

Message boards or forums: A Web-based message centre where users may post text communication for one another.

Meta-tag (aka "tag"): A specific kind of hypertext markup language (HTML) tag that contains information not normally displayed to the user. Meta-tags contain information about the page itself, hence the name ("meta" means "about this subject"). Typical uses of meta-tags are to include information for search engines to help them better categorize a page. Meta-tags can be seen in a page by viewing the page's source code.

Social networking sites: The online profile page offered with membership on a social networking site. Used to allow others to see your interests and connect with others of like interests (e.g., Facebook.com, myspace.com, ryze.com).

Social search site: A type of search engine that determines the relevance of search results by considering the interactions or contributions of users. Example forms of user input include social bookmarking or direct interaction with the search results, such as promoting or demoting results that users feel are more or less relevant to their queries. Social search takes many forms, ranging from simple shared bookmarks or tagging of content with descriptive labels to more sophisticated approaches that combine human intelligence with computer algorithms.

Website: The pages of HTML, graphics, images, video and audio, databases, or other media assets accessible via the World Wide Web at any given uniform resource locator (URL). For the purposes of this document, this definition specifically excludes blogs, social networking sites, chat rooms, bulletin boards, forums, Twitter, and other subscription-based sites.

Advertising Policy

Recruitment Advertising

Ads may not imply that the Shaklee opportunity involves a salaried position, offers employment with Shaklee Canada Inc. and/or Shaklee Corporation, or guarantees a stated income, profit, or benefit. The Shaklee name may be used in the body of the ad but the words “Shaklee Independent Distributor” must be used in conjunction with your name.

Ads may not misrepresent the Shaklee Compensation Plan.

If you choose to identify yourself in the ad you must state that you are a Shaklee Independent Distributor and provide your phone number, town, city, or area and/or e-mail address. No commercial address may be listed unless it is that of an authorized Shaklee Training Centre.

Product Advertising

Shaklee Independent Distributors may advertise in magazines and newspapers.

Only ads prepared or approved by Shaklee may carry Shaklee trade names, trademarks, service marks, or copyrighted material. However, you may use “Shaklee Independent Distributor” or the Shaklee Independent Distributor logo in ads you prepare.

If you use an authorized product ad provided by Shaklee, you must run it without alterations. Your name (or DBA), phone number, town, city, or area and/or e-mail address may be added if desired. No commercial address may be used unless it is that of an authorized Shaklee Training Centre.

Shaklee does not restrict blind ads so long as the ad does not use Shaklee trade names, trademarks, service marks, product names, or copyrighted materials.

You must not represent any ads you place (including Shaklee authorized ads) as being placed by Shaklee Canada Inc. and/or Shaklee Corporation or any of its subsidiaries or divisions.

If you create your own ads you are responsible for ensuring that the resulting ad is not unlawful or misleading.

Catalogue Advertising

Shaklee Independent Distributors may not advertise in a catalogue that also advertises the products of other direct selling companies, or if the catalogue is produced by a single retail outlet. They may advertise in a catalogue that features advertisements for other non-direct selling company products if the Shaklee Independent Distributor determines that any customer responding to the ad is not a Shaklee Family Member in another group.

Radio and Television Advertising

Advertising on radio or television, including infomercials, is prohibited.

Telephone Directory Advertising

Shaklee Independent Distributors may use the following guidelines to list themselves in telephone or similar directories:

- **White Pages:** you may list yourself alphabetically according to your surname or DBA. If your directory permits, you may precede or follow your name listing with one of these phrases: “Shaklee Independent Distributor” or “Shaklee Authorized Distributor” or “Shaklee Products Distributor.” You may not use the phrase “Shaklee Dealer” or “Shaklee Independent Dealer.”
- **Yellow Pages:** if you have a business phone as part of your Shaklee business you get a free alphabetical in-column listing in the Yellow Pages (in addition to your White Pages listing) under the heading you select.

You may precede or follow your name listing with one of these phrases: “Shaklee Independent Distributor” or “Shaklee Authorized Distributor” or “Shaklee Products Distributor.”

Design Guidelines

Two closely related symbols, or logos, are used to identify Shaklee:

- The Shaklee Corporate logo, for use by Shaklee Canada Inc. or Shaklee Corporation only, and
- The Shaklee Independent Distributor logo, authorized for use by Shaklee Independent Distributors

Both these logos are registered trademarks of Shaklee Corporation. Misusing these or any other Shaklee trademark breaches this P&R.

Using Shaklee Copyrighted Material

You may reproduce Shaklee copyrighted material only when permission is specifically granted on the material, or if the material is accompanied by a written notice from Shaklee specifically granting you permission to reproduce it. Copyrighted material must be reproduced in full and without alterations of any kind.

All copies of any copyrighted material you reproduce with permission must also include the copyright notice that appears on the original (e.g., © 2020 Shaklee Canada Inc.).

Trademark Guidelines

The trade name “Shaklee”, the Shaklee Independent Distributor logo, and most other Shaklee trademarks and service marks are federally registered. Shaklee Independent Distributors are authorized to use them, as long as they comply with the rules and guidelines in this section and chapter:

- Shaklee trademarks are proper adjectives and should be followed by generic terms. The trademarks should be capitalized completely, used with initial caps and quotes, or with initial caps. For example, it would be appropriate to state the trademark in any of the following three ways, along with the generic term: VITA-LEA® or Vita-Lea®.
- Shaklee trademarks should be marked with the appropriate symbol to indicate trademark status (i.e., the trademark should be followed by ™ or ®, as shown in the *Shaklee Product Catalogue*).
- Shaklee trademarks should not be pluralized. For example, it would be incorrect to say, “Take two Vita-Leas.” Rather, you should say, “Take two Vita-Lea® tablets.” Shaklee trademarks should not be used in possessive form (e.g., “Vivix’s good taste” should be “the good taste of Vivix® Antioxidant Solution”).
- To avoid confusion with the Shaklee Internet address, the trade name “Shaklee” or any variation of “Shaklee” – such as “Shak,” “Shakl,” “Shakle,” or “Shaq” – may not be included in your e-mail address.
- Shaklee reserves the right at all times to withdraw permission to use or display the Shaklee trade name, trademarks, service marks, and Shaklee Independent Distributor logo:
- If Shaklee guidelines governing their style and appearance are not met; or
- If Shaklee determines that a usage adversely affects the reputation or interests of Shaklee Independent Distributors or Shaklee Canada Inc. and/or Shaklee Corporation or any of its divisions or subsidiaries; or
- If the user ceases to be a Shaklee Independent Distributor.

Logo Usage Guidelines

The Shaklee Independent Distributor logo is a trademarked representation of the Company, our products, and our philosophy. When using this logo in printed materials you must follow the explicit Logo Usage Guidelines designed to preserve the distinctiveness of the logo and ensure its proper usage. For Logo Usage Guidelines, please send an e-mail to Canada@shaklee.com.

Distributor Lists

Shaklee desires to protect Shaklee Independent Distributors and the Company from inappropriate and unfair competition. Lists of Shaklee Independent Distributors, activity reports, genealogies, and other information about Shaklee Independent Distributors (hereinafter referred to as Lists), whether partial or complete, provided by or originating from the Company or any Shaklee Independent Distributor, are the confidential and proprietary property of Shaklee Canada Inc. The Company has derived, compiled, and configured and currently maintains Lists through the expenditure of considerable time, effort, and monetary resources. Lists, in present and future forms and as amended from time to time, constitute commercially advantageous proprietary assets and trade secrets of Shaklee Canada Inc., which Shaklee Independent Distributors shall hold confidential. Such Lists shall not be disclosed to any third party or used for any purpose other than in the performance of their obligations under the *P&R* and for the benefit of Shaklee Canada Inc. without the prior written consent of Shaklee Canada Inc.:

- The Company may provide uniquely tailored portions of Lists to Shaklee Independent Distributors. Each portion of the provided Lists contains information specific to the Shaklee Independent Distributor who requests the List and to that Distributor's downline organization. Lists may be provided by various media including but not limited to mail, fax, and the Internet. A genealogy is a component of Shaklee Canada Inc. Distributor Lists and is the confidential information and trade secret of Shaklee Canada Inc. Shaklee Canada Inc. may in its sole discretion refuse to provide a genealogy to any Shaklee Independent Distributor.
- Lists are provided for the exclusive and limited use of the Shaklee Independent Distributor to facilitate the training, support, service, motivation, and recognition of the Shaklee Independent Distributor's sponsorship group and to further the Distributor's Shaklee business only. Each Shaklee Independent Distributor agrees that the use of Shaklee Canada Inc. Lists within the intended scope constitutes a separate, exclusive licence agreement between the Shaklee Independent Distributor and Shaklee Canada Inc.
- Lists remain at all times the exclusive property of Shaklee Canada Inc. and must be returned to Shaklee Canada Inc. upon request. A Shaklee Independent Distributor requesting a List agrees:
 - To limit the use of a List to the intended scope of the List and to exclusively advance the Distributor's Shaklee business.
 - To hold confidential and not disclose any List or portion thereof to any third party, including but not limited to competitors and the general public. Any use or disclosure of Lists outside of those authorized constitutes misuse, misappropriation, and a violation of this *P&R* and may cause irreparable harm to Shaklee Canada Inc.
 - That, upon any violation under this section, the Shaklee Independent Distributor will stipulate to injunctive relief, enjoining such use under applicable law, and retrieve and return to the Company all existing Lists previously provided to the Shaklee Independent Distributor.
 - That intended or unintended misuse of a List may be cause for termination of the Shaklee Independent Distributorship, whether or not such misuse causes irreparable harm to Shaklee Canada Inc. or any of its independent distributors; and
 - That the obligations under this section will survive the termination of the Shaklee Independent Distributorship.
- Shaklee Canada Inc. reserves the right to pursue all appropriate remedies under applicable laws to protect its rights to the Lists as proprietary and trade secrets of Shaklee Canada Inc.; any failure to pursue such remedies will not constitute a waiver of those rights

Chapter 4

Shaklee Membership Policies

Membership Eligibility

To be eligible to become Shaklee Family Members in Canada, individuals must meet all the following requirements:

- Be at least 18 years of age,
- Reside in Canada, and
- Complete a *Shaklee Application*; Shaklee accepts applications online, as well as by phone, fax, mail, or scan and e-mail to Canada@shaklee.com. Applications submitted by phone are temporary only and must be followed with a signed application by mail, fax, or scan and e-mail within 30 days, or the membership will be subject to cancellation.

The purchase of any applicable distributorship fee is not required to become a Shaklee Family Member. The only requirement is the purchase of a New Member Pack.

Shaklee reserves the right to reject any application when Shaklee determines that acceptance of the application is not in the best interests of Shaklee and/or Shaklee Family Members.

Distributorship Eligibility

- To be eligible to become a Shaklee Independent Distributor in Canada, an individual must meet all the following requirements:
- Be at least 18 years of age,
- Reside in Canada,
- Purchase a Distributor Welcome Pack, and
- Complete a *Shaklee Application*; Shaklee accepts applications online as well as by phone, fax, mail, or scan and e-mail to Canada@shaklee.com. Applications submitted by phone are temporary only and must be followed by a signed application by mail, fax, or scan and e-mail within 30 days or the distributorship will be subject to cancellation.
- A Member who subsequently decides to become a Distributor may do so by purchasing a Distributor Welcome Pack.

Shaklee also will accept applications from business entities when they file a *Sole Proprietorship (DBA) or General Partnership Application* or a *Corporate Distributor Application* by mail, fax, or scan and e-mail (neither online nor phone applications can be accepted):

- Business entities must provide the names, addresses, and signatures of all the partners, guarantors, or officers of the entity
- In addition, the business agrees to indemnify and hold Shaklee harmless from any claims brought against Shaklee for products or services of any company other than those of Shaklee Canada Inc.

Once the applicant(s) signs a *Shaklee Application* or *Sole Proprietorship (DBA) or General Partnership Application* or *Corporate Distribution Application*, the sponsor must complete and forward it to Shaklee within 30 days.

Shaklee reserves the right to reject any application when Shaklee determines that acceptance of the application is not in the best interests of Shaklee and/or Shaklee Family Members.

Status of Shaklee Independent Distributorships

Every Shaklee Independent Distributor conducts his or her business as a self-employed independent contractor. As an independent businessperson, a Distributor is free to conduct business in the ethically principled manner he or she deems best, subject to the conditions and responsibilities set forth in Shaklee publications (determining his or her own schedule and objectives, responsible for his or her own expenses and any applicable taxes including self-employment taxes). Nothing in any Shaklee publication shall be construed as granting Shaklee any right to control or direct a Distributor with respect to the Distributor's conduct of such business. Shaklee has no right to exercise any control over any of the Distributor's employees, all of whom are entirely under the control and direction of Distributor, who shall be responsible for their actions and omissions.

Shaklee Independent Distributors are not Shaklee employees, agents, franchisees, joint venturers, fiduciaries, or beneficiaries of Shaklee Canada Inc. or Shaklee Corporation or any of its divisions or subsidiaries, or that their place of business is owned by or operated by, or for, Shaklee Canada Inc. or Shaklee Corporation or any of its divisions or subsidiaries. Neither Shaklee Canada Inc. nor Shaklee Corporation nor any of its divisions or subsidiaries is the agent or employee of any Shaklee Independent Distributor for any purpose whatsoever.

Shaklee will not approve any proposed change in the status of a distributorship if it is or becomes part of any attempt to circumvent any provision of the *P&R*.

Taxes

As independent contractors, Shaklee Independent Distributors are responsible for the proper reporting of their Shaklee income and payment of federal and provincial income taxes that may be due.

One Sponsorship Position

No Shaklee Family Member (including a business entity) may be sponsored in more than one sponsorship position at a given time. Spouses are considered to be one Shaklee Family Member, regardless of whether one or both signed the Shaklee *Application*, and may not hold separate sponsorship positions. Trustees, directors, officers, partners, and shareholders of a business entity may not have separate Shaklee businesses. All Shaklee Family Members must comply with the *P&R* rules governing reorganizations, resignation waiting periods, and survivorship in order to change their sponsorship.

If a Shaklee Family Member has duplicate sponsorship records on file with Shaklee, the later records normally will be cancelled, and the Shaklee Family Member will be assigned the sponsorship position of the earliest valid record, regardless of any difference in ranks.

Those sponsored under a Shaklee Family Member with an invalid duplicate record may individually choose one of two options:

- 1) Move to the sponsorship line under the earliest valid record, or
- 2) Remain in his or her current sponsorship line

Shaklee Family Members are not permitted under any circumstances to simultaneously operate, directly or indirectly, through any arrangement or device, two different Shaklee distributorships/memberships in different sponsorship positions whether in the same country or different countries.

Integrity of Sponsorship Lines

Shaklee Independent Distributors may not interfere in the business of another Shaklee Independent Distributor not in their sponsorship line in such a way as to negatively impact the other Distributor's business.

Change in Distributor Status

Marriage: In keeping with the Shaklee rule that a husband and wife cannot hold separate sponsorship positions, they must choose which one of them will transfer to the distributorship of the other while leaving the transferring spouse's sponsorship group behind. If for some reason a dispute should arise over the choice of sponsorship lines, Shaklee reserves the right to decide each case independently.

Divorce: When any Shaklee Independent Distributor with a Business Leader title or sponsorship group divorces, it is necessary to submit to Shaklee a copy of the first page of the divorce decree and a copy of any other page indicating a division of the business, along with the *Shaklee Dissolution of Marriage* form signed by both the former husband and wife, indicating which Shaklee Independent Distributor will keep the title. A decree of divorce, whether directly or by incorporating a property settlement agreement, may not reorganize a Shaklee distributorship vertically. A decree of divorce may either create parallel distributorships for the spouses or award the distributorship to one spouse.

Distributor Status

To become a Distributor, a Shaklee Family Member must purchase a Distributor Welcome Pack.

One must be a Distributor in order to be eligible to earn certain bonuses including but not limited to bonuses on downlines developed in foreign markets. See the Incentives Booklet, published annually.

Compliance With Shaklee Policies

Shaklee Family Members must be in compliance with the current provisions of the *P&R* and other current policies announced in Shaklee publications in order to retain their distributorships in good standing. Breach of the provisions of any of the publications listed above by any Shaklee Family Member will be deemed a breach of his or her contract with Shaklee and may result in the suspension or withdrawal of any one or more of the ranks, privileges, benefits, bonuses, conferences, incentive trips, and special incentives appropriate to remedy the breach. Failure to comply with these provisions and policies may also result in the immediate termination of the membership or distributorship for breach of contract.

Shaklee has formed a Shaklee Status Review Board (SRB) to assist in reviewing and resolving breach of contract issues. A Shaklee Family Member may elect to have the SRB determine a breach of contract issue, or may elect to proceed to arbitration, described more fully below. A Shaklee Family Member also may elect arbitration following consideration by the SRB. If a Shaklee Family Member elects to use the SRB and believes that an SRB decision is in error, that Member may request reconsideration by sending a letter to Field Services stating the reasons why he or she believes the decision is incorrect. A Shaklee Family Member also has the option of appealing any decision of the SRB by sending a letter to Shaklee Canada's Executive Director of Operations & Administration stating the reasons why he or she believes the decision was incorrect.

Shaklee may continue to use the history of the *P&R* and the interpretations provided in the past as guidance in enforcing the provisions of this *P&R*.

Shaklee Policy Review

Shaklee may modify the terms of the *P&R*, including but not limited to the compensation plan, from time to time upon 30 days' notice. Shaklee will provide notice of such modifications by electronic message or other appropriate methods and will post such modifications at <https://ca.shaklee.com/links-resources>. You should check this location on a regular basis to inform yourself about modifications to the *P&R*. Your continuation as a Shaklee Family Member, or your use of the ca.shaklee.com Website after Shaklee modifies the *P&R*, will indicate your agreement with, and acceptance of, such modifications. You may decline modifications by terminating your contract with Shaklee before the modifications go into effect. If for any reason your e-mail address changes or becomes

disabled, please contact Shaklee Field Support immediately so that Shaklee can continue to provide you with notices and other important messages.

All provisions of the contract between Shaklee and each Shaklee Family Member, including this P&R, shall be governed by the laws of the Province of Ontario. If disputes involving Shaklee policies arise and Shaklee determines that a policy decision is required, any decision Shaklee makes will be final and binding upon all parties. In any legal action or other proceeding arising out of the contract between Shaklee and each Shaklee Family Member, including this P&R, the prevailing party shall be entitled to recover its reasonable attorneys' fees, court costs, and all expenses incurred (including, without limitation, all such fees, costs, and expenses incident to appellate, bankruptcy, post judgment, and alternative dispute resolution proceedings).

To protect Field morale from the disruption of old controversies, Shaklee normally will decline to act on Field complaints concerning Distributors' alleged breaches of the P&R if more than two years have elapsed from the date of the breach to the date of the complaint. Any complaints must be submitted to Shaklee in writing by a person or persons who have first-hand knowledge of the facts.

Mutual Agreement to Arbitrate Claims

Disputes may arise between Shaklee Family Members and Shaklee during or following their association with Shaklee. This section sets forth the agreed-upon dispute resolution rules. The U.S. Federal Arbitration Act shall govern the interpretation, enforcement and all proceedings pursuant to this Agreement. To the extent that the Federal Arbitration Act is inapplicable, the arbitration law of the province or state in which the Shaklee Family Member last rendered services as a Shaklee Family Member shall apply.

Claims Covered by the Agreement

Shaklee Family Members and Shaklee mutually consent to the resolution by arbitration of all claims or controversies ("claims"), past, present, or future, whether or not arising out of the association with Shaklee (or its termination), that Shaklee may have against a Shaklee Family Member, or that a Shaklee Family Member (and no other party) may have against any of the following: (1) Shaklee, (2) its officers, directors, employees, or agents in their capacity as such or otherwise, (3) Shaklee's parent, subsidiary, and affiliated entities, and (4) all successors and assigns of any of them.

The only claims that are arbitrable are those that are justiciable under applicable federal, provincial, or local law. Arbitrable claims include but are not limited to: claims for compensation due; claims for breach of any contract or covenant (express or implied); tort claims; and claims for violation of any federal, provincial, or other governmental law, statute, regulation, or ordinance (except as provided below), including discrimination or retaliation claims.

Shaklee Family Members waive any right to bring on behalf of other persons, or to otherwise participate with other persons in, any class or collective action.

Claims Not Covered by the Agreement

Shaklee and Shaklee Family Members agree that neither shall initiate or prosecute any lawsuit or administrative action in any way related to any claim covered by this Agreement, except that this Agreement does not prohibit the filing of or pursuit of relief through the following: (1) a court action for temporary equitable relief in aid of arbitration, where such action is otherwise available by law, (2) an administrative charge to any federal, provincial, or local equal employment opportunity or fair employment practices agency, (3) an administrative communication to a federal, provincial, or local government office, official, or agency.

Claims that as a matter of law cannot be subject to arbitration are not covered by this Agreement. This Agreement also does not cover any dispute that currently is pending in litigation in any forum.

Time Limits for Commencing Arbitration and Required Notice of All Claims

The aggrieved party must give written notice of any claim to the other party no later than the expiration of the statute of limitations (deadline for filing) that the law prescribes for the claim. Otherwise, the claim shall be deemed waived. The aggrieved party is encouraged to give written notice of any claim as soon as possible after the event or events in dispute so that arbitration of any differences may take place promptly.

Written notice to Shaklee, or its officers, directors, employees, or agents, shall be sent to the Office of the General Counsel at the Company's then-current headquarters address, which currently is 4747 Willow Road, Pleasanton, CA 94588, USA. Shaklee Family Members will be given written notice at the last address recorded in Shaklee's records. The written notice shall identify and describe the nature of all claims asserted, the facts upon which such claims are based, and the relief or remedy sought. The notice shall be sent to the other party by certified or registered mail, return receipt requested.

Discovery

Each party shall have the right to take depositions of three fact witnesses and any expert witness designated by another party. Each party also shall have the right to make up to 10 requests for production of documents to any party and to subpoena documents from third parties, unless further limited by law. Requests for additional depositions or discovery may be made to the Arbitrator selected pursuant to this Agreement. The Arbitrator may grant such additional discovery if the Arbitrator finds that the party has demonstrated that it needs that discovery to adequately arbitrate the claim, taking into account the parties' mutual desire to have a speedy, less-formal, cost-effective dispute resolution mechanism.

Place of Arbitration

The arbitration shall take place in the county (or comparable government unit) in which the Shaklee Family Member is rendering or last rendered services as a Shaklee Family Member, and no dispute affecting a Shaklee Family Member's rights or responsibilities shall be adjudicated in any other venue or forum.

Arbitration Procedures

The arbitration will be held under the auspices of the American Arbitration Association in accordance with the AAA's Commercial Arbitration Rules (and no other rules), which are currently available at <http://www.adr.org>. Shaklee will supply a printed copy of those rules upon request. Notwithstanding any provision of the AAA rules, any dispute over the formation, enforceability, validity, or severability of any provision of this agreement shall be resolved by a court of competent jurisdiction. The Arbitrator shall be either a retired judge, or an attorney who is experienced in the law applicable to the claim(s) asserted and licensed to practise law in the province or state in which the arbitration is convened (the "Arbitrator"), selected pursuant to the AAA rules or by mutual agreement.

The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the province or state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

Either party, at its expense in the first instance, may arrange and pay for a court reporter to provide a stenographic record of proceedings.

Should any party refuse or neglect to appear for, or participate in, the arbitration hearing, the Arbitrator shall have the authority to decide the dispute based upon whatever evidence is presented.

The Arbitrator shall render an award and written opinion describing the essential factual and legal bases for the Arbitrator's decision, normally no later than thirty (30) days from the date the arbitration hearing concludes or the post-hearing briefs (if requested) are received, whichever is later.

Arbitration Fees and Costs

Each party shall pay 50% of the fees and administrative costs charged by the Arbitrator and the administrator. Each party shall pay in the first instance its own litigation costs and attorneys' fees, if any. However, if any party prevails on a statutory claim that affords the prevailing party attorneys' fees and litigation costs, the Arbitrator shall rule

upon a motion for attorneys' fees and/or litigation costs under the same standards a court would apply under the law applicable to the claim(s) at issue.

Judicial Review

Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award.

Survival of Agreement

This Agreement to arbitrate shall survive the termination of the Shaklee Family Member's association with Shaklee.

Sole and Entire Agreement

This is the complete agreement between the parties on the subject of dispute resolution. No party is relying on any representations, oral or written, on the subject of the effect, enforceability, or meaning of this Agreement, except as specifically set forth in this Agreement.

Construction and Severability

If any provision of this Agreement is adjudged to be void or otherwise unenforceable, in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement. All other provisions shall remain in full force and effect based on the parties' mutual intent to create a binding agreement to arbitrate their disputes.

Chapter 5

Shaklee Global Opportunity

Shaklee Independent Distributors may sponsor Distributors in those foreign markets permitted by Shaklee Canada Inc. and are eligible to earn bonuses on downlines developed in a foreign market.

Note that China is excluded from the Shaklee Global Opportunity because non-Chinese nationals may not do business in China. Therefore, no Shaklee Family Member may ship (or arranging for shipment) or bring any Shaklee product into China.

Impact on Rank Qualifications

The Personal Volume and Personal Group Volume requirements for all rank qualifications must be met with home market volume only. (Canada and the United States are considered to be a single market for this purpose.)

Business Leaders may count First Generation Business Leaders in foreign markets, as well as Organizational Volume from foreign markets, to qualify for and maintain Business Leader ranks above the Director rank. Volume from foreign markets will be adjusted by a factor similar to an exchange rate so that it can be combined with volume from the Distributor's home market. Factors will be reviewed periodically by Shaklee's Finance and International Departments.

Personal Group Bonuses on Foreign Downlines

A Distributor, Associate, or Business Leader is eligible to receive Personal Group Bonuses on Personal Groups developed in foreign markets. (For purposes of this section, Canada and the United States are considered a single market, and neither is a foreign market to the other.)

- For Distributors and Associates, the bonus percentage paid will be the difference between the percentage that the Distributor or Associate qualifies for as shown in the table in the Personal Group Bonuses section in Chapter 2 and the percentage qualified for by downline Distributor(s) in their own market(s)
- For qualified Business Leaders, the percentage paid will be the difference between 20% and the percentage qualified for by downline Distributor(s) in their own market(s)

Example: Distributor Jack sponsors Shaklee Distributors in Canada, the United States, Taiwan, and Malaysia. Jack has 500 Personal Volume and his Distributors in Canada and the United States have Personal Volume of 250 each. His distributors in Taiwan and Malaysia have the equivalent of 500 Personal Volume each. Jack's Personal Group Volume is 1000 (his 500 plus 250 from his U.S. Distributor and 250 from his Canadian Distributor) and he qualifies at the 12% Personal Group Bonus level:

- Jack earns 12% on his Personal Volume.
- Jack earns 8% on the Personal Volume of his U.S. Distributor and his Canadian Distributor (the difference between the 12% he qualified for and the 4% that the U.S. and Canadian Distributors qualified for).
- Even though the volume from his Taiwanese and Malaysian Distributors does not count toward Jack's Personal Group Volume or his Personal Group Bonus percentage, he is eligible to earn bonuses on their volume. The Taiwanese Distributor and the Malaysian Distributor each had the equivalent of 500 PV in their respective markets and each earned an 8% bonus. Jack earns the difference between his percentage of 12% and their percentage of 8%, or 4%.

Example: Business Leader Barbara is the Business Leader of record of Distributor Jack in the example above. Barbara has 500 Personal Volume and has two more U.S. Distributors in addition to Jack and his group, who have 1000 Personal Volume each. Barbara's Personal Group Volume is 3500: her 500 plus 1000 each from Jack

and his group and her two additional U.S. Distributors. The 500 from the Taiwanese Distributor and the 500 from the Malaysian Distributor do not count toward her Personal Group Volume:

- Barbara earns 20% on her Personal Volume.
- Barbara earns 8% on the Personal Volume of Jack, Jack’s U.S. Distributor, Jack’s Canadian Distributor, and her two U.S. Distributors (the difference between 20% and the 12% that her two U.S. Distributors and Jack qualify for).
- Barbara earns 8% on the Personal Volume of Jack’s Taiwanese Distributor and Jack’s Malaysian Distributor. (The Bonus Percentage on Foreign Volume for qualified Business Leaders is 20%, and Barbara earns the difference between 20% and the 12% that Jack qualifies for.)

Leadership Bonuses on Foreign Downlines

A qualified Business Leader is eligible to earn Leadership Bonuses on Business Leaders developed in foreign markets. For purposes of this section, Canada and the United States are considered a single market, and neither is a foreign market to the other. Leadership Bonuses on Business Leaders developed in foreign markets will be paid according to the following schedule (the Business Leader must fully meet all requirements of rank to be paid at the title shown):

| | SR DIR | CRD | SR CRD | EXEC | SR EX | KEY | SR KEY | MSTR | SM | PM |
|---------------------|--------|-----|--------|------|-------|-----|--------|------|----|----|
| 1 st Gen | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% |
| 2 nd Gen | | 5% | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 6% |
| 3 rd Gen | | | | 4% | 4% | 5% | 5% | 5% | 5% | 5% |
| 4 th Gen | | | | | | 3% | 3% | 4% | 4% | 4% |

Requirements for Participation

To be eligible to participate and earn bonuses in the Shaklee Global Opportunity, a Shaklee Family Member must:

- 1) Be a Distributor or higher.
- 2) Be in good standing, be familiar, and comply with the requirements of this *P&R*, including but not limited to the provisions that no Shaklee Family Member may, directly or indirectly, export the products of Shaklee Canada Inc. for resale in another country, and no Shaklee Family Member may directly or indirectly import Shaklee products from another country for resale within Canada. (Shaklee Independent Distributors may, however, sell and ship Shaklee products to purchasers in other countries where Shaklee does not do business for the purchaser’s personal use only, and not for resale to others.)
- 3) Be familiar and comply with the applicable requirements of the *P&R* in any country in which he or she is developing a sponsorship group, including any subsequent changes to any of these publications.

Shaklee will deduct a 2% processing fee on all compensation earned on volume from foreign markets. This fee will not apply to compensation earned by U.S. Distributors on Canadian volume, nor will it apply to compensation earned by Canadian Distributors on U.S. volume.

Shaklee Independent Distributors do not earn price differential from downlines in foreign markets, nor do they earn price differential from those in Canada or the United States if there is a Distributor in a foreign market who intervenes in the line of sponsorship.

Records in Multiple Markets and Transferring a Shaklee Distributorship to Another Country

In order to promote a consistent policy for transferring Shaklee distributorships from one country to another, and to protect Shaklee Distributor organizations on a worldwide basis, the following guidelines will apply:

- 1) Shaklee Distributors may hold one distributorship position in Shaklee worldwide, which must be the market in which the Distributor resides. No Distributor shall be enrolled in more than one Shaklee market or organization simultaneously.
- 2) A Shaklee Distributor who wishes to transfer from one market to another shall apply for a transfer from the Home Office of the market he or she is seeking to leave and receive approval from that Home Office prior to enrolling in another market.
- 3) The Home Office in the country a Shaklee Distributor wishes to leave will work with the Home Office in the country the Distributor is seeking to enter to review the application and determine whether approval should be granted.
- 4) The Home Office of the market the Shaklee Distributor is seeking to enter shall decide whether the Distributor is qualified to be a Shaklee Distributor in that market in accordance with its rules and local law. The Home Office of the country the Distributor is seeking to enter shall make the final determination whether the application to transfer shall be approved.
- 5) If the transferring Shaklee Distributor has sponsored Shaklee Distributors anywhere in the world prior to transferring, the Global Opportunity policy, as described in this Chapter, shall apply to such downline and to how the transferring upline shall be compensated.
- 6) In the event that one Shaklee Distributor has enrolled simultaneously in different markets or in different organizations, the *P&R* of the country the Shaklee Distributor is seeking to leave shall apply in determining how the conflict shall be resolved.
- 7) Regardless of whether a Shaklee Distributor applies to transfer from one market to another, if one or more markets learn that a Shaklee Distributor is enrolled in more than one market, the *P&R* of the country of residence of the Shaklee Distributor shall control in resolving the conflict. If a Shaklee Distributor is enrolled in more than one organization within one market, the *P&R* of that market shall have control in resolving the conflict.

Chapter 6

Reorganizations

Shaklee does not recommend that Shaklee Family Members, regardless of their rank, move from one sponsorship line to another (except by means of responsoring after resigning and fulfilling the waiting period).

If all other alternatives have been exhausted, and movement is necessary, the following rules must be observed. Shaklee will not under any circumstances approve a request for reorganization that does not have all the required signatures. All reorganization requests must be accompanied by the fee specified on the *Reorganization Application* to cover administrative costs. See the Shaklee Incentives Booklet for further policies respecting reorganizations and certain incentive programs.

Internal Reorganization (Movement Within a Business Leader's Personal Group)

Single: this encompasses the movement of one Shaklee Independent Distributor or Member **only**.

The Shaklee Independent Distributor or Member must apply to Shaklee for reorganization by signing and submitting a *Reorganization Application Single*, which is also signed by the following:

- The Shaklee Family Member's current sponsor
- The Shaklee Family Member's Business Leader of record

Multiple: this encompasses the movement of **more than one** Shaklee Family Member or one Shaklee Family Member and Personal Group within the Personal Group of the Business Leader of record.

The Shaklee Family Member must apply to Shaklee for reorganization by signing and submitting a *Reorganization Application for Groups*, which is also signed by the following:

- The Shaklee Family Member's Business Leader of record
- Any intervening Shaklee Family Members between the Shaklee Family Member and the Business Leader of record

External Reorganization (Movement Outside a Business Leader's Personal Group)

Single: this encompasses the movement of one Shaklee Independent Distributor or Member **only** from the Personal Group of one Business Leader to that of another.

The Shaklee Independent Distributor or Member must apply to Shaklee for reorganization by signing and submitting a *Reorganization Application Single*. The application must also be signed by the following:

- The Shaklee Family Member's current Business Leader of record,
- The Shaklee Family Member's current sponsor, and
- The new Business Leader of record

Multiple: this encompasses the movement of **more than one** Shaklee Family Member or one Shaklee Family Member and Personal Group from one Business Leader's Personal Group to that of another.

The Shaklee Family Member must apply to Shaklee for reorganization on behalf of himself and his Personal Group by signing and submitting a *Reorganization Application for Groups*. The application must also be signed by the following:

- The Shaklee Family Member's current Business Leader of record
- The Shaklee Family Member's current sponsor

- Any intervening Shaklee Family Members between the Shaklee Family Member and the current Business Leader of record
- The next five current upline Business Leaders
- The new Business Leader of record

Business Leader–Requested Reorganization

A Business Leader may move a Shaklee Family Member, who he or she has personally sponsored, under another Shaklee Independent Distributor in their sponsorship group provided:

- The Business Leader completes a *Sponsor Reorganization Application*; no fee is required
- The Business Leader submits the *Sponsor Reorganization Application* to Shaklee within three months of sponsoring the Shaklee Family Member
- The hardcopy application has been received by Shaklee if the Shaklee Family Member originally applied by phone

This reorganization option is open only to Business Leaders. The three-month period will be determined based on the entry date on file in Shaklee’s records.

Transfer of Online Sponsorships

From time to time new prospects may accidentally sign up on the wrong Personal Website (PWS) or under the wrong sponsor, through no fault of the Website owner. In those cases, the new Member/Distributor and/or his or her current Business Leader of record may contact Shaklee by fax with the *Reorganization Application* within 30 days of signing up online to be transferred to the correct sponsor. After 30 days transfers from one sponsor to another Shaklee group can only take place by submitting a *Reorganization Application Single* or *Reorganization Application for Groups* with all required upline signatures.

Reorganization of Directors with Sponsorship Line Movement

Requests for reorganization of Directors and above, with or without sponsorship group, will be permitted under the following circumstances:

- Approval of the six upline Business Leaders, and
- Approval of the Status Review Board

If the reorganization will include the Business Leader’s sponsorship group, Shaklee will give courtesy notification of the proposed reorganization to the Business Leader’s downline Business Leaders. If the proposed reorganization will result in an increase in rank, Shaklee may withhold the new rank for a period of up to one year. This includes eligibility to earn bonuses at the new rank.

Reorganization and Purchase/Sale Violations

Actively soliciting or encouraging any Shaklee Family Member to move from one Personal Group to another disrupts morale and undermines the growth of stable Personal Groups. Accordingly, Shaklee Independent Distributors may not abuse the reorganization or distributorship purchase/sale process by engaging in such activities as using nominal “paper” distributorships, soliciting Shaklee Family Members to move to another group, withholding *Shaklee Applications* of any type, or using other subterfuges to circumvent sponsorship lines.

Purchase/Sale of a Distributorship

Shaklee distributorships may be bought and sold. At the completion of any sale, the Shaklee Independent Distributor who buys a business will assume the sponsorship position and responsibility for the purchased business and group, while the seller will relinquish the sponsorship position, the responsibility, and group. If the seller is in the Legacy Plan, the buyer will move to the Legacy Plan (and inherit any Legacy grandfathered title, grandfathered Personal Bonus Percentage, or any other Legacy attributes held by the seller).

If the seller participated in the Dream Plan Car Bonus Program, the seller's car bonuses will end. If either the buyer or seller participated in the Dream Plan Car Bonus Program, Shaklee will determine on a case-by-case basis the requirements for the buyer to qualify for car bonuses.

All purchase/sale transactions are subject to approval by Shaklee. Shaklee also requires that a copy of the purchase/sale document(s) be attached to the *Purchase/Sale* form, along with a fee of \$50 to cover administrative costs.

Requirements

The buyer must be an Associate or above to acquire a distributorship below the rank of Coordinator, and a Director or above to acquire a distributorship at or above the rank of Coordinator. The buyer must have held his or her current rank for a minimum of six months prior to acquiring another business.

The seller must be a Director or higher and must have held his or her Business Leader rank for a minimum of one (1) year prior to the sale. The seller must offer his or her Senior Business Leader the first opportunity to acquire the distributorship and must provide Shaklee with written evidence of that offer. If the Senior Business Leader declines the offer, the seller may then offer the business to any other Shaklee Independent Distributor of appropriate rank on comparable terms.

Shaklee reserves the right to deny approval of a sale to any Business Leader who previously approved the reorganization of any Shaklee Family Members into the Personal Group of the distributorship that he or she proposes to acquire. Any other reorganizations, terminations, or resignations submitted near the time of the sale may be reviewed as part of the proposed sale.

If the buyer wishes to take his or her Personal Group with him or her, this must be indicated on the *Purchase/Sales* form and is subject to approval by each of the following:

- The buyer's current Business Leader of record or Senior Business Leader, plus the next five upline Business Leaders
- Any intervening Shaklee Family Members between the buyer and the buyer's current Business Leader of record or Senior Business Leader
- The seller's Senior Business Leader
- The Status Review Board

If the buyer does not take his or her Personal Group, the buyer must sign an agreement not to solicit members of the former Personal Group to move with him or her.

The seller has the option of remaining active (without group) as a Shaklee Family Member under the buyer and cannot be reappointed to the rank of Director without the prior approval of Shaklee. The seller also has the option to resign. Any former Business Leader who has sold his or her business and resigned must receive the approval of Shaklee in order to responsor.

After approval of the purchase, the buyer will assume the rank of the seller. Typically, Shaklee requires a reasonable waiting period (normally one year) before the rank of Key Coordinator, Senior Key Coordinator, Master Coordinator, Senior Master Coordinator, or Presidential Master Coordinator, and eligibility for bonuses at those ranks, is awarded.

No buyer may begin to operate the seller's business or assume any sponsorship rights until he or she receives an approved and processed copy of the *Purchase/Sale* form.

Chapter 7

Terminations

A Shaklee Family Member's relationship with Shaklee may be terminated by one of three procedures:

- Resignation
- Non-renewal
- Termination for breach of contract

Shaklee Independent Distributors who terminate lose all rights related to their sponsorship groups, and members of the sponsorship groups move a step up in their respective sponsorship lines. Upon termination, all rights, privileges, and benefits of their status end, including sponsorship rights in Shaklee, bonuses, and authorization to sell Shaklee products and to use Shaklee trademarks. These rights may not be transferred.

Resignation

To resign, Shaklee Family Members must submit written notification to Shaklee that includes the signatures of those resigning and, in the case of a distributorship with more than one owner, the names of the members of the distributorship who wish to remain.

Shaklee will send the resigning Shaklee Family Members an acknowledgment letter indicating the effective termination date (with a copy forwarded to the Shaklee Family Member's Business Leader of record). In any instance where a Business Leader is resigning, Shaklee will give advance notice to the upline Business Leader when possible.

Shaklee will not allow a partial resignation of a distributorship if any member of the distributorship is in violation of the *P&R*.

For the purpose of resignation and reactivation, a husband and wife will be treated as one distributorship or membership, regardless of the fact that only one spouse may have become or may remain a Shaklee Family Member.

Responsoring After Resignation

Resigned Preferred Members, Distributors, and Associates may not responsor under a new sponsor for six months after their effective termination date. In the case of a **Preferred Member only**, Shaklee will permit a Preferred Member to responsor under a new sponsor without resigning and fulfilling the waiting period in the following limited circumstances:

- The Preferred Member has been completely inactive for at least two years and has no orders on file with Shaklee, with the Preferred Member's sponsor, or with the Preferred Member's Business Leader of record during that time
- Shaklee will verify the lack of ordering activity with the sponsor and Business Leader of record; if the sponsor or Business Leader of record contests the lack of activity and supports it with a receipt, cancelled cheque, or the like, Shaklee will not permit the Preferred Member to responsor without first resigning and fulfilling the waiting period
- Requests from similarly inactive Shaklee Independent Distributors will be reviewed by the Status Review Board

Former Business Leaders who have been retitled for more than one year at the time of resignation may not responsor under a new sponsor for six months after their effective termination date.

Former Business Leaders retitled for less than one year at the time of resignation are ineligible to responsor under a new sponsor for one year after their effective termination date, but in no event to exceed 18 months from the date of retitling.

Resigned Members and Independent Distributors wishing to reactivate under the same sponsor and Business Leader may do so without a waiting period by submitting a new *Shaklee Application, Sole Proprietorship (DBA) or General Partnership Application, or Corporate Distributor Application*.

Shaklee reserves the right to deny future Shaklee Family Membership status to any terminated Shaklee Family Members who engage in Shaklee activities (including assisting another Shaklee Family Member in his or her Shaklee business) or who represent themselves as Shaklee Independent Distributors while they are not on record with Shaklee as authorized Shaklee Independent Distributors.

Business Leaders who have arranged and/or approved transfers of Preferred Members, Distributors, or Associates from their Personal Group to that of another before resigning or changing their own sponsorship position will not be permitted to responsor into the Personal Group of the same Business Leader into which the former group members were transferred.

Termination for Non-Renewal

Renewal is annual; however, Shaklee may from time to time suspend or waive the requirement to renew. Renewal must be made by the date specified by Shaklee each year to ensure continuity of Preferred Member or Distributor benefits. If renewal does not occur by the required time, the membership/distributorship will be terminated.

Unless Shaklee has suspended or waived the annual renewal requirement, Shaklee Family Members who do not renew their membership/distributorship annually will be treated as if they had resigned, and the same waiting periods will apply as if they had resigned.

Termination for Breach of Contract

Termination for breach of contract may result from engaging in activities detrimental to Shaklee, including any of the following:

- Violating the terms of the Shaklee Application, the Sole Proprietorship (DBA) or General Partnership Application, or the Corporate Distributor Application
- Violating the provisions of the *P&R*
- Failing to meet the responsibilities of Business Leadership, as described in this *P&R* and other Shaklee publications
- Engaging in conduct that damages the reputation of Shaklee or Shaklee Family Members, including but not limited to conviction of a felony
- Violating the provisions of official Shaklee publications of another country when doing business in that country
- Making any misleading, unfair, inaccurate, or disparaging representations or statements about the Company, its products, or its commercial activities

Distributors terminated for breach of contract may not responsor without special review and approval by Shaklee.

Shaklee will determine in its sole discretion whether a Business Leader or Distributor holding Business Leader rank that is terminated for breach of contract shall be offered the opportunity to sell the Distributorship in accordance with the provisions of Chapter 6 of this *P&R*.

Chapter 8

Business Entities

Business Entities Operating Shaklee Distributorships

Business entities may sponsor as Shaklee Family Members.

- Business entities, whether Sole Proprietorships (DBAs), General Partnerships, or Corporate Distributorships, may sponsor as Shaklee Family Members using the *Sole Proprietorship (DBA) or General Partnership Application* or *Corporate Distributorship Application*. Such partnerships, DBAs, or corporations must consist exclusively of Active Partners or Active Guarantors residing in Canada.
- In addition, Shaklee Family Members residing in Canada may form general partnerships and Corporate Distributorships. They also may adopt DBA (Doing Business As) names for their businesses. All members of a Shaklee Canada combined distributorship must reside in Canada. Shaklee recommends that corporations be formed only after Distributors consult their attorneys and tax advisors in their provinces.

One Entity for All Purposes

Regardless of the number of individuals who make up a distributorship, Shaklee treats each distributorship, including business entities, as one entity for all purposes.

Each trustee, director, officer, employee, agent, partner, shareholder, and representative of a business entity agrees to be personally responsible for the actions of the distributorship.

The actions of any trustee, director, officer, employee, agent, partner, shareholder, and representative of a business entity bind all other members of the distributorship, as well as the distributorship entity itself. Shaklee holds all members of the distributorship and the distributorship entity equally responsible for all the actions of any of the members of the distributorship, including any breaches of its contract with Shaklee and, by incorporation, of this *P&R*.

Individual qualified Shaklee Independent Distributors must guarantee the performance of distributorships when they form a business entity. For a partnership, the guarantors are referred to as Active Partners. For a corporation or Limited Liability Company, the guarantors are referred to as Active Guarantors. Only spouses, Active Partners, or Active Guarantors of a corporation can be sponsored in the sponsorship position occupied by a business entity.

Application to Form a Business Entity

Shaklee Family Members wishing to form a business entity must apply to Shaklee on the appropriate form, available at <https://ca.shaklee.com/popular-business-forms>:

- The members are responsible for ensuring that they agree and abide by the documents and the rights and promises set forth in the *Sole Proprietorship (DBA) or General Partnership Application* and *Corporate Distributor Application*, and that such agreement will be binding on its shareholders, officers, employees, agents, and representatives and that they have complied with all applicable federal, provincial, and local laws
- Other than as stated in this *P&R*, Shaklee will not review, approve, or become a party to any Distributor agreements
- No purchase other than the membership fee is necessary to become a Shaklee Family Member
- No financial investment is required to obtain a Corporate Distributorship

- A fee of \$50, made payable to Shaklee, is required to cover administrative costs
- Proposed members of a business entity who are in different sponsorship lines must first apply for reorganization before formation of a business entity may be requested
- If one or more of the distributorships to be combined is in the Dream Plan, and one or more of the distributorships to be combined is in the Legacy Plan, Shaklee will determine on a case-by-case basis whether the new business entity will be in the Legacy Plan or the Dream Plan
- If more than one of the distributorships to be combined participate in the Dream Plan Car Bonus Program or have qualified for a Legacy Car Bonus, the combined entity may qualify for only one car bonus; although any one of the cars on file with Shaklee may be the one selected for registration for the Car Bonus, Shaklee reserves the right to determine on a case-by-case basis the requirements under which the combined entity will participate in a Car Bonus Program
- Shaklee reserves the right to reject any proposed entity name that is not acceptable to Shaklee

Additional Members

Shaklee will recognize additional members residing in Canada (Active Partners or Active Guarantors) joining a business entity only in the following limited circumstances:

- When the new member of the distributorship is an adult (18 years or older) and is the son, daughter, or spouse of a current Active Partner or Active Guarantor
- When the new member of the distributorship has held the rank of Distributor or higher in the same sponsorship line, either immediately above or below the distributorship, for a minimum of six months

Special Review

Special review and approval by Shaklee are required:

- When two or more Business Leaders wish to combine their businesses to form a Sole Proprietorship, General Partnership, or Corporate Distributorship
- When any new member is added to a distributorship holding the title of Key Coordinator, Senior Key Coordinator, Master Coordinator, Senior Master Coordinator, or Presidential Master Coordinator; Shaklee reserves the right to reject or rescind approval of any transactions involving business entities that are designed to circumvent or have the effect of circumventing Shaklee sponsorship lines or any provisions of the P&R

Dissolution

Requests for dissolution of business entities must be:

- Submitted in writing to Shaklee on the *Dissolution of Combined Distributorship* form and include the signatures of all departing and remaining members of the distributorship on record with Shaklee
- Accompanied by a \$50 fee to cover administrative costs

If more than one former member of the distributorship is to remain active in Shaklee, the request must indicate:

- Which First Level Shaklee Family Members, including First Level Business Leaders, each former member will retain (note: a Shaklee Family Member or Business Leader is First Level if his or her sponsor is the business entity)
- Which one of the former members is to retain any Business Leader rank held by the distributorship entity

Only one former member may retain the rank and all its associated benefits. First Level Shaklee Family Members will be moved with sponsorship groups intact.

Requests for deleting a member or members from a business entity must:

- Be submitted in writing to Shaklee on the *Deletion of Members from a Combined Distributorship* form and include the signatures of all members being deleted
- Be accompanied by a \$50 fee to cover administrative costs

Parallel Sponsorship Lines

When a business entity is dissolved, any remaining former spouse, Active Partners, or Active Guarantors (“members”) will be separated into parallel sponsorship lines directly beneath the sponsor of the former distributorship entity.

Former members of the distributorship who want to obtain an exception to the parallel sponsorship rule and reorganize vertically in the sponsorship line, one above the other, must first obtain approval in writing from the six (6) upline Business Leaders and then apply to Shaklee for a waiver of the parallel sponsorship rule.

If the person leaving a combined distributorship is the adult child of a member of the distributorship, the parallel rule will be automatically waived and the adult child will be placed vertically in the sponsorship line, directly below the parents’ distributorship. Only the adult child or children with their respective spouses, if any, will be moved. They may not take any additional Shaklee Family Members with them unless they submit a completed *Reorganization Application*.

Special Review

Shaklee reserves the right to review and determine dissolutions of distributorships holding the title of Key Coordinator, Senior Key Coordinator, Master Coordinator, Senior Master Coordinator, or Presidential Master individually as an exception to the provisions of this section when deemed in the best interest of all members and Shaklee.

If all former members of a distributorship entity on record with Shaklee cannot agree on the dissolution terms, Shaklee will require an order from a court or binding arbitration decision that specifies which one retains the rank and how the First Level Shaklee Family Members (including First Level Business Leaders) are to be divided.

Chapter 9

Survivorship

Without a properly drafted will or trust, a distributorship automatically terminates upon the death of the last individual Shaklee Independent Distributor (or, in the case of a combined distributorship, the last surviving partner, or Active Guarantor).

Survivorship requires careful planning. Shaklee recommends you consult with a local estate-planning lawyer.

Survivorship Options

Business Leaders may assure continuing bonus payments and avoid termination of sponsorship rights by choosing one of the following options:

- Adding one or more Active Partners or Active Guarantors to a distributorship, as explained in Chapter 8 on combined distributorships; or
- Transfer by will or contract (where permitted by law); or
- Transfer by trust. A Business Leader may transfer a distributorship during his or her lifetime to an *inter vivos* Alter Ego Trust (as defined in the *Income Tax Act* [Canada]) or self-benefit trust of which the Business Leader is the sole beneficiary during his or her lifetime. Upon the Business Leader's death, the distributorship would be transferred to the Business Leader's beneficiaries as set out in the trust deed in accordance with the requirements set out below. If there are beneficiaries who are minors, their interest would be held in trust at least until they reach the age of majority.

Shaklee will refer to a will (or contract) and/or a testamentary trust only upon the death of the last surviving member of the distributorship.

Requirements

Transfer of a Business Leader's distributorship by trust or will requires compliance with the following:

- The creator of the trust or will (or contract) must be a Business Leader in good standing at the time (or, in the case of a deceased Business Leader, immediately prior to the time) that the distributorship is transferred.
- The beneficiaries of a testamentary trust or will (or contract) must be one or more of the following: a Shaklee Independent Distributor in the upline or downline of the distributorship in question who is qualified to purchase the business as provided in Chapter 6; or the spouse, child, grandchild, parent, or sibling of the Business Leader (or deceased Business Leader) whose distributorship is to be transferred. If the beneficiary of a will is a minor, a custodian or guardian must be appointed until the beneficiary reaches the age of majority. Any adult may be appointed to serve as a custodian or a guardian. The beneficiaries of an *inter vivos* trust must be the Business Leader whose business is to be transferred.
- If the heir, beneficiary, trustee, custodian, or guardian is already a Business Leader in the Dream Plan at the time of the death of the transferor Business Leader, and chooses the sponsorship position of the transferor Business Leader, then the heir, beneficiary, trustee, custodian, or guardian may remain in the Dream Plan or may move to the Legacy Plan if the transferor Business Leader was in the Legacy Plan. If the heir, beneficiary, trustee, custodian, or guardian elects to move to the Legacy Plan, he or she will inherit the Legacy Grandfathered Title, Grandfathered Personal Bonus Percentage, and any other Legacy attributes held by the transferor Business Leader. If the heir, beneficiary, trustee, custodian, or guardian participates in the Dream Plan Car Bonus Program and elects to move to the Legacy Plan, Shaklee will review requirements for continuing to receive car bonuses on a case-by-case basis.

- If the transferor Business Leader participated in the Dream Plan Car Bonus or qualified for a Legacy Car Bonus, those car bonuses will end. Shaklee will determine on a case-by-case basis the requirements for the heir, beneficiary, trustee, custodian, or guardian who assumes the sponsorship position of the transferor Business Leader to qualify for car bonuses.
- The term of the trust, custodianship, or guardianship shall not be perpetual and shall not continue beyond the date necessary to protect the interests of those beneficiaries who are unable to act for themselves legally, such as minor children or incompetent persons who require assistance in the conduct of business affairs.
- The trust instrument or contract must preclude the beneficiaries from assigning any beneficial interest in the trust.
- The trust must conduct only the business of a Shaklee Distributorship and no other.
- The trustee of the trust may be either an individual or a corporation.
- An heir, beneficiary, trustee, or guardian must qualify as a Shaklee Independent Distributor and operate the distributorship within 60 days of the date of death. Shaklee reserves the right to hold all bonuses in reserve during this period.
- At the time of transfer, each individual heir, beneficiary, trustee, or guardian must meet the Shaklee Family Member eligibility requirements as provided in the "Eligibility" section and agree to perform all the obligations and responsibilities of a Shaklee Business Leader as set forth in the *P&R* and other Shaklee publications then existing and as amended from time to time.
- An heir, beneficiary, trustee, or guardian may not be in more than one sponsorship position at a given time (except under the limited circumstances provided in the next bullet point). In the event an heir, beneficiary, trustee, or guardian is already a Shaklee Family Member at the time of the death of the transferor Business Leader, the heir, beneficiary, trustee, or guardian must inform Shaklee in writing within 30 days of his or her sponsorship position of choice. Any other sponsorship group will roll up in its sponsorship line. In the absence of such communication, Shaklee will determine the appropriate sponsorship position. When the heir, beneficiary, trustee, custodian, or guardian is immediately above or below in the Sponsorship Line, Shaklee will combine the two distributorships into a single sponsorship position.
- In the event of the death of the last member of a distributorship with surviving children who are minors, Shaklee will permit the guardian(s) to be Business Leader(s) in another sponsorship position under the following limited conditions:
 - There is a prior written agreement between the distributorship and the guardian that provides for the continuation of the Shaklee business and the disposition of bonuses during the minority of the children
 - The guardianship must begin before a minor child or children turn(s) 18 years of age, and may not continue past the time one child reaches the age of 25 years
 - The two distributorships must be operated separately, and the guardian may not commingle them in any way
 - A Business Leader may not transfer by trust or will (or contract) less than the Business Leader's entire interest in the Shaklee distributorship. If more than one beneficiary or heir is named, all must receive an equal ownership interest in the Shaklee distributorship.
- Shaklee reserves the right to determine after transfer the continuing eligibility of a trust, heir, or beneficiary for rank and convention privileges previously granted the distributorship.

Registration of Trusts and Wills

In the case of a trust:

- Before a Shaklee distributorship is transferred to a trust, the trustee must sign and file an *Application for Shaklee Distributor Authorization (Trust)*
- A copy of the trust instrument must accompany the application, and the trustee must file with Shaklee any amendment or other document that varies the terms of the trust within 30 days of the change
- When the grantor (creator of the trust) dies, a copy of the death certificate must be filed with Shaklee; Shaklee will also accept a copy of the obituary from a newspaper of general circulation or a letter from a family member notifying us of the date of death
- A \$50 administrative fee must accompany the application

In the case of a will (or contract where permitted by law):

- The testator may either attach a certified copy of the will (or contract) to the *Application to Register a Will*, or the beneficiaries may provide a copy at the time of death; if a will is provided with the application, the testator (or contracting party) must promptly file with Shaklee any amendment or other document which varies the terms of the will (or contract)

Failure to Plan for Survivorship

In the absence of a trust or will filed with Shaklee, the distributorship will terminate upon the death of the last member of the distributorship, and the members of the Business Leader's sponsorship group will roll up in the sponsorship line.

However, the personal representative of a Business Leader who has not complied with the terms of this Chapter shall have 90 days from the date of death to sell the distributorship to a Shaklee Independent Distributor as specified in the Purchase/Sale section.

In the event of a conflict between the listing of any members of a distributorship with Shaklee and a trust or will, and in the absence of an order of a court having jurisdiction of the matter, Shaklee reserves the right to resolve the conflict. Shaklee's decision shall be final and binding.

Definitions and Terms

Business Leader

Any Shaklee Independent Distributor appointed to the rank of Director, Senior Director, Coordinator, Senior Coordinator, Executive Coordinator, Senior Executive Coordinator, Key Coordinator, Senior Key Coordinator, Master Coordinator, Senior Master Coordinator, or Presidential Master Coordinator, or to equivalent titles in a foreign market.

Business Leader Leg

A First Generation Business Leader and that Business Leader's entire organization (sponsorship group).

Distributor (or Shaklee Independent Distributor)

Any person who has signed a *Shaklee Application, Sole Proprietorship (DBA) or General Partnership Application, or Corporate Distributor Application*; whose application has been accepted by Shaklee Canada Inc.; who has purchased a Distributor Welcome Pack; and who holds the title of Distributor or higher.

Dream Plan

The Shaklee Compensation Plan, effective October 1, 2010, including any amendments thereto, to which this *P&R* applies.

First Generation Business Leader

The first distributorship qualified for and maintaining Director rank or higher (or the equivalent in a foreign market) down any sponsorship line.

First Level

Any Shaklee Family Member of any rank for which a given Shaklee Family Member is the sponsor.

Five-Year Rule

A rule that allows a reinstated Business Leader to be considered as a new (first-time) Director for certain qualifications if he or she held a Business Leader rank, with no Volume Grace Months or waivers, for no more than four consecutive months in a specified five-year period. Typically, the five-year period is re-established annually and follows a July-through-June cycle.

Foreign Distributor

A Shaklee Independent Distributor registered with Shaklee in a foreign market.

Foreign Market

A country, other than a Shaklee Independent Distributor's home market, where Shaklee Corporation maintains a legal entity and has permitted Shaklee Independent Distributors to sponsor Distributors in that country. Shaklee may make Independent Distributors with a specified home market or markets eligible to sponsor into a specified foreign market, while not necessarily making Independent Distributors from all countries eligible to sponsor into that foreign market.

Global Personal Group

All one's downlines, regardless of country, down to but excluding the first Business Leader reached in any sponsorship line, and that Business Leader's sponsorship group.

Home Market

The country in which a Shaklee Family Member or Shaklee Independent Distributor resides and has signed and submitted a *Shaklee Application* (or equivalent, as the name of the application may vary slightly from country to country) that has been accepted by Shaklee.

For purposes of title and bonus qualifications and payment, Canada and the United States are considered a single home market. Nevertheless, one must meet the eligibility requirements established by Shaklee Canada Inc. in Chapter 5 of this *P&R* to become a Shaklee Family Member or Shaklee Independent Distributor in Canada, and must meet the requirements established by Shaklee U.S., LLC to become a Shaklee Family Member or Shaklee Independent Distributor in the United States.

Legacy Plan

The compensation plan into which certain Shaklee Independent Distributors who held a Business Leader title as of September 30, 2010 were grandfathered. Policies and procedures governing those in the Legacy Plan are covered in the Legacy Plan *P&R*. Members, Distributors, and Associates who are in the Personal Group of a Business Leader in the Legacy Plan are also considered as being in the Legacy Plan until they promote to Director, at which point they will be in the Dream Plan.

Master Leg

Any sponsorship line extending downward from a Business Leader that contains at least one Master Coordinator, Senior Master Coordinator, or Presidential Master Coordinator. To be considered a Paid-As Master leg there must be at least one Paid-As Master Coordinator or higher within that sponsorship line. (Regardless of the number of Master Coordinators, Senior Master Coordinators, or Presidential Master Coordinators in a given sponsorship line extending downward from a Business Leader, that sponsorship line shall be considered as a single Master leg.)

Organization

All Shaklee Family Members down to the newest recruit in all sponsorship lines extending from and below any given Shaklee Family Member. (Also referred to as a sponsorship group.)

Organizational Volume (OV)

The Personal Volume of a Shaklee Independent Distributor plus the Personal Volume of each Shaklee Family Member in his or her entire organization (sponsorship group). Personal Volume from foreign markets is adjusted by a factor similar to an exchange rate.

Organizational Volume (OV) Outside the Largest Leg

One's Organizational Volume excluding the OV of the First Generation Business Leader with the most OV.

Original Sponsor

The first sponsor of a Shaklee Family Member (i.e., the sponsor at the time the application of a Shaklee Family Member was accepted by Shaklee).

Personal Group (also Home Market Personal Group)

All one's downlines down to but excluding:

- The first Business Leader reached down any sponsorship line, and that Business Leader's sponsorship group, and/or
- The first Foreign Distributor reached down any sponsorship line, and that Foreign Distributor's sponsorship group

Personal Group Volume (PGV)

The total Personal Volume of the members of one's home market Personal Group, plus one's own Personal Volume. PGV includes the PGV of a Business Leader in one's home market in the month that Business Leader is promoted to Director.

Personal Volume (PV)

The total Point Value of one's sales of products for a given month.

Point Value (PV)

A non-monetary point value specified by Shaklee for each product on which Shaklee pays bonuses. The PV for each Shaklee product is listed in the Shaklee Confidential Price List and may change from time to time as product prices change.

Price Differential

The difference between the price paid by a given Shaklee Family Member and the price paid by a given Shaklee Family Member in his or her Personal Group. Also, the difference between the price paid by a Shaklee Independent Distributor and the price for which the Distributor qualifies based on monthly Personal Group Volume.

Senior Business Leader

With respect to any given Business Leader, the first Business Leader above him or her in the sponsorship line.

Shaklee Family Member

Anyone who has submitted a properly completed *Shaklee Application, Sole Proprietorship (DBA) or General Partnership Application, or Corporate Distributor Application* and whose application has been accepted by Shaklee Canada Inc. membership/distributorship must be renewed annually unless Shaklee suspends or waives the renewal requirement.

Shaklee Independent Distributor (or Distributor)

Any person who has signed a *Shaklee Application, Sole Proprietorship (DBA) or General Partnership Application, or Corporate Distributor Application*; whose application has been accepted by Shaklee Canada Inc.; who has purchased a Distributor Welcome Pack; and who holds the title of Distributor or higher.

Sponsorship Group

All Shaklee Family Members down to the newest recruit in all sponsorship lines extending from and below any given Shaklee Family Member. Also referred to as one's organization.

Sponsorship Line

The sequence of sponsor-recruit relationships that is created when Shaklee Family Members sponsor new recruits into Shaklee. A sponsorship line extends above or upward from each new recruit in the following sequence to include all individuals in a single sponsorship line:

- New recruit
- Immediate sponsor of the new recruit
- Sponsor of the immediate sponsor of the new recruit, and so on

In the case of resignations, terminations, or Shaklee-approved reorganizations to a new sponsorship line, the following sequence of events and relationships occurs and is referred to as a "roll-up":

- Shaklee removes the departed Shaklee Family Member from their sponsorship line

- That sponsorship line closes up
- Those who were sponsored directly by the departed Shaklee Family Member now consider the sponsor of the departed Shaklee Family Member to be their immediate sponsor

Status Review Board

Shaklee management employees assigned to receive, review, and decide complaints alleging breaches of the *P&R*.

Title

Appointed title: any of the ranks achieved with the necessary requirements at the time of promotion.

Paid-as title: the title for which a Shaklee Independent Distributor meets all requirements and the level at which bonuses are paid.

Unencumbered Group Volume

Personal Group Volume excluding the Personal Group Volume of a First Generation Director in the month of promotion to Director.



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