

BEAUTYCOUNTER

Policies and Procedures – U.S.A.

Effective January 1st, 2017

Beautycounter®
POLICIES & PROCEDURES

1. Policies and Career Plan Incorporated into Consultant Agreement; Amendments. These Policies and Procedures, in their present form and as amended at the sole discretion of Counter Brands, Inc. dba Beautycounter (hereafter “Beautycounter” or the “Company”), are incorporated into the Beautycounter Independent Consultant Agreement. Throughout these Policies, when the term “Agreement” is used, it collectively refers to the Beautycounter Independent Consultant Application and Agreement, the Policies and Procedures, and the Beautycounter Career Plan. The Company reserves the right to amend the Agreement at its discretion. Amendments shall be effective 30 days after notice and publication of the amended provisions in the Consultant’s Behind the Counter, but amended policies shall not apply retroactively to conduct that occurred prior to the effective date of the amendment.

2. Policies and Provisions Severable. If any provision of the Agreement, in its current form or as amended, is held void or unenforceable, only the void or unenforceable portion(s) of the provision shall be severed from the Agreement and the remaining provisions shall remain in effect. The severed provision shall be reformed so that it is in compliance with the law and reflects the purpose of the original provision as closely as possible.

3. Term and Renewal of Your Beautycounter Business. The term of the Independent Consultant Agreement is one year from the date of enrollment, subject to the rules of the Career Plan and compliance with the Agreement. Independent Consultants (“Consultant”) must renew their Independent Consultant Agreement each year and pay the annual renewal fee and applicable sales tax on or before the anniversary date of their enrollment. The

annual renewal notice will be posted in the Consultants’ Behind the Counter. In addition, Consultants must meet the requirements set forth in Section 39 of this document in order to remain in Active Status.

If a Consultant fails to renew by paying the requisite fee, the Consultant account will be terminated. Renewal fees are optional in North Dakota.

4. Compliance with the Law. Consultants must not engage in any act or omission that constitutes a violation of the law.

5. General Conduct. Consultants shall safeguard and promote the good reputation of Beautycounter and its products, and must avoid all deceptive, misleading, unethical or immoral conduct or practices, and must exhibit high moral character in their personal and professional conduct. Consultants shall not engage in any conduct that may damage the Company’s goodwill or reputation. While it is impossible to specify all misconduct that would be contrary to this policy, and the following list is not a limitation on the standards of conduct to which Consultants must adhere pursuant to this policy, the following standards specifically apply to Consultants’ activities:

- Consultants must conspicuously identify themselves as a Beautycounter Independent Consultant in all advertising, telephone directory listings, promotional material, social media postings, and other forums in which they promote Beautycounter’s products, services and/or the Beautycounter business. Consultants are responsible for the content of all material that they produce and all of their postings on any social media site regardless whether they own, operate, or control the site.
- Deceptive conduct is always prohibited. Consultants must ensure that their

statements are truthful, fair, accurate, and are not misleading in any fashion;

- Consultants may not make any social media postings, or link to or from any postings or other material that is sexually explicit, obscene, pornographic, offensive, profane, hateful, threatening, harmful, defamatory, libelous, harassing, or discriminatory (whether based on race, ethnicity, creed, religion, gender, sexual orientation, physical disability, or otherwise), is graphically violent, is solicitous of any unlawful behavior, that engages in personal attacks on any individual, group, or entity, or is in violation of any intellectual property rights of the Company or any third party.
- If a Consultant's Beautycounter business is closed for any reason, the Consultant must discontinue using the Beautycounter name, and all other Beautycounter intellectual property, and all derivatives of such intellectual property, in postings on all social media, websites, or other promotional material.
- Consultants may not represent or imply that any state or federal government official, agency, or body has approved or endorses Beautycounter, its program, or products.
- Consultants must not engage in any illegal, fraudulent, deceptive, or manipulative conduct in the course of their business or personal lives that, in the Company's discretion, could damage the Company's reputation or the culture that exists within the field sales force.

6. Social Media. In addition to meeting all other requirements specified in these Policies, should a Consultant utilize any form of social media, including but not limited to blogs, Facebook, Twitter, LinkedIn, YouTube, or Pinterest, the Consultant agrees to each of the following:

- No product sales or enrollments may occur on any social media site. To

generate sales, a social media site must link only to the Consultant's Beautycounter replicated website.

- Consultants may not solicit sales or recruit via any online presence maintained by Beautycounter Headquarters, belonging to another direct seller or skincare/cosmetics brand, or belonging to an external influencer. This includes usage of comment or interactive sections of these profiles or web pages.
- It is each Consultant's responsibility to follow the social media site's terms of use. If the social media site does not allow its site to be used for commercial activity, you must abide by the site's terms of use, and all other rules of the site.
- Any social media site that is directly or indirectly operated or controlled by a Consultant that is used to discuss or promote Beautycounter's products, or the Beautycounter opportunity may not link to any website, social media site, or site of any other nature, other than the Consultant's Beautycounter replicated website.
- A Consultant may not use any social media site on which they discuss or promote, or have discussed or promoted, the Beautycounter business or Beautycounter's products to directly or indirectly solicit Beautycounter Consultants for another direct selling or network marketing program (collectively, "direct selling"). In furtherance of this provision, a Consultant shall not take any action that may reasonably be foreseen to result in drawing an inquiry from other Consultants relating to the Consultant's other direct selling business activities. Violation of this provision shall constitute a violation of the nonsolicitation provision in Policy 21.
- A Consultant may post or "pin" photographs of Beautycounter products on a social media site, but any postings

or pinnings may link only to the posting Consultant's Beautycounter Replicated Website.

- If a Consultant creates a business profile page on any social media site that promotes or relates to Beautycounter, its products, or opportunity, the business profile page must relate exclusively to the Consultant's Beautycounter business and Beautycounter products. If the Consultant's Beautycounter business is closed for any reason or if the Consultant becomes reassigned, the Consultant must deactivate the business profile page.
- Pursuant to Section 5 of these Policies & Procedures, a Consultant must conspicuously identify himself or herself as an Independent Consultant on any and all social media profiles.
- A Consultant may not lead others to believe that his or her social media profile represents Beautycounter Headquarters or anything but the profile of an Independent Consultant.
- Pursuant to Section 5 of these Policies & Procedures, a consultant must specify that he or she is an "Independent Consultant" if including his or her Career Title on social media, including but not limited to LinkedIn.
- A consultant may include "BC" or "Beautycounter" in his or her social media profile name/address/handle provided it is accompanied by the Consultant's name or identifier (e.g. names such as "Beautycounter by Jane" or "Jane's Beautycounter" are permitted) *and* the name or biography section of the profile clearly states that it belongs to an Independent Consultant.
- Pursuant to Section 8 of these Policies & Procedures, a Consultant may not use Beautycounter logos or digital assets as their profile pictures or avatars on any social media site. Consultants may utilize assets provided by Beautycounter in social media posts and as background images, but the avatar or main image

may not be a Beautycounter logo or image provided by Headquarters.

- Consultants may not imply exclusivity or ownership of a specific geographical area in their social media profiles (For example, use of "Beautycounter of Dallas" or "Beautycounter Canada" in a profile name or description is prohibited).

7. Consultant Created Marketing Methods, Advertising, Promotional Material (Sales Tools), and Meetings.

Subject to the requirements set forth in these Policies, Consultants may create their own sales aids, presentations, advertising and promotional materials, and marketing methods (collectively "Sales Tools"). To ensure that the Sales Tools are not deceptive and contain only substantiated claims, all Consultant created Sales Tools must be submitted to the Company and receive written approval before they can be used or made public. Proposed Sales Tools must be submitted to the Company via email at media@beautycounter.com. You must include your name and Consultant Identification Number along with your submissions.

Consultants who receive written authorization from Beautycounter to produce and publish Sales Tools may make approved Sales Tools available to other Consultants free of charge if they wish, but may not sell the Sales Tools to other Beautycounter Consultants (any sale or attempt to sell Sales Tools to another Consultant will result in the termination of the offending Consultant's Beautycounter business). Beautycounter reserves the right to rescind approval for any approved Sales Tools, and **Consultants waive all claims against Beautycounter, its officers, directors, owners, employees, and agents for damages, expenses, costs, or remuneration of any other nature arising from or relating to such rescission.** Approved Sales Tools will be posted in the

Tools section of Consultants' Behind the Counters, and will be available for all Consultants' use. **The Consultant(s) who created the Sales Tools grants Beautycounter and its Independent Consultants an irrevocable license to use the Sales Tools at their discretion, and waives all copyright claims and/or claims for remuneration against Beautycounter, its officers, directors, owners, agents, and other Independent Consultants for such posting and/or use of the Sales Tools.** Approved Sales Tools will be posted in the Library section of Consultants' Behind the Counters and will be made available to all Consultants free of charge.

Consultants may promote their Beautycounter businesses through meetings open to Consultants, prospects, Clients, and Members. Consultants are permitted to collect monetary contributions from attendees provided that *all* of the following conditions are met:

- The total amount collected from attendees does not exceed the total cost of meeting space rental, food/beverages provided, production of presentation materials, and copying/printing of materials distributed.
- It is clearly stated in any and all meeting invitations that the contribution is intended to offset the cost of hosting the meeting.
- It is clearly stated in any and all meeting invitations and at the meeting itself that the contribution is voluntary.
- The requested contribution is of a nominal amount.

Beautycounter reserves the right to require a Consultant to discontinue any Consultant-devised, publicly advertised promotion, special offering, gift, or incentive that the Company believes does not conform to its

standards and practices. This determination will be made at the company's sole discretion.

8. **Trademarks and Copyrights.** The name "Beautycounter" and other names that may be adopted by the Company are proprietary trade names, trademarks and service marks of Beautycounter. The Company will not allow the use of its trade names, trademarks, designs, or symbols, or any derivatives of such marks, by any person, including Beautycounter Consultants, in any unauthorized manner without its prior written permission. This includes, but is not limited to use in any email address, website domain name, or social media name or address (except as stated in Section 6), or unapproved Sales Tools. Consultants may not use any of the Company's trademarks, trade names, or any derivatives or variations of such marks, with any pay-per-click or other Search Engine Optimization strategy, or in any promotional effort of any other nature. This includes use of online advertising or search engine result promotion or placement. Examples of prohibited activities include but are not limited to a) paid promotion of social media posts to the general public or any individuals to whom you are not already connected as a "friend" or "connection" on Facebook, Instagram, or other platforms that allow such activity, b) purchase of banner ads or margin ads on any website or social media platform, c) use of DoubleClick, Adtech, Open X, Criteo, Tradedoubler, or similar online advertising placement service, d) purchasing placements from a search provider to cause a site promoting your Beautycounter business to appear above other search results, e) utilizing metatags, keywords, or other search engine optimization strategy to cause a site promoting your Beautycounter

business to appear more relevant via a search engine's algorithm.

9. Consultant Web Sites. Consultants may not create their own websites to promote their Beautycounter business or Beautycounter's products and services. However, official Beautycounter supplied replicated websites are the only online forum through which Beautycounter products may be sold and new Beautycounter Consultant enrollments may be transacted (prohibited online forums include, but are not limited to, Consultants' external websites, online auctions and classified listings).

Team Websites are not a violation of Beautycounter's policy prohibiting Consultants from developing independent websites. A Team Website must be password protected and available only to Consultants within a single genealogy line. Team Websites must serve only as a forum for communication, training, recognition, connecting and motivating Consultants within that genealogy line. Team Websites may not be used for recruiting or sales purposes, and may not be shared with prospective Distributors. Team Websites must comply with all of Beautycounter's Policies and Procedures. Upon request, a Consultant operating a Team Website shall provide Beautycounter with a password to her Team Website.

10. Retail Outlets and Service Establishments. Beautycounter strongly encourages the retailing and selling of its products through person-to-person contact. In an effort to reinforce this method of selling and to help provide a standard of fairness for all Consultants, and to protect the independent contractor relationship between Consultants and Beautycounter, Consultants may not display or sell Beautycounter products or literature, or in any other way promote the Beautycounter opportunity or products in any retail,

wholesale, warehouse, or discount establishment without prior written approval from Beautycounter. Notwithstanding the foregoing, Consultants may display and sell Beautycounter products at professional trade shows.

11. Service Related Establishments. Consultants may promote and sell Beautycounter products in service-related establishments. A service-related establishment is one whose primary revenue is earned by providing personal service rather than by selling products. Such establishments include offices of doctors, dentists and other health professionals; health clubs or fitness centers; beauty salons; and any other business where Client use of the establishment is controlled by membership or appointment. Beautycounter reserves the right to make the final determination as to whether an establishment is service-related or is a proper place for the sale of its products.

12. Territories. Consultants are not given exclusive geographic sales territories. Consultants are free to work in any area they wish.

13. Change of Mentor. The only means by which a Consultant may legitimately change his/her Mentor is by voluntarily canceling his/her Beautycounter business in writing and remaining inactive for six (6) full calendar months. Following the six calendar month period of inactivity, the former Consultant may reapply and specify a different Mentor at the time of enrollment. Please refer to Section 36. Effect of Cancellation for full details of how commissions, downline Team, and Member and Client associations will be impacted by cancellation.

The Consultant must complete the registration process and purchase a Business Kit at the time of reenrollment.

14. Waiver of Claims. In cases wherein a Consultant improperly changes her Mentor, Beautycounter reserves the sole and exclusive right to determine the final disposition of the Sales Team that was developed by the Consultant in his/her second genealogy level. CONSULTANTS WAIVE ANY AND ALL CLAIMS AGAINST BEAUTYCOUNTER, ITS OFFICERS, DIRECTORS, OWNERS, EMPLOYEES, AND AGENTS THAT RELATE TO OR ARISE FROM BEAUTYCOUNTER'S DECISION REGARDING THE DISPOSITION OF ANY DOWNLINE ORGANIZATION THAT DEVELOPS BELOW A CONSULTANT WHO HAS IMPROPERLY CHANGED HIS/HER SPONSOR.

15. Lines Direct to Beautycounter. Beautycounter may move any Consultant who is direct to the Company, along with her entire sales organization, to another position within the Beautycounter genealogy. Any such move shall occur within the first six calendar months following the enrollment of the Consultant who is direct to the Company.

16. Product Claims. Consultants must not make claims, including but not limited to testimonials, about Beautycounter's products or services that are not contained in official Beautycounter literature or posted on Beautycounter's official website. Under no circumstances shall any Consultant state or imply that any Beautycounter product is useful in the diagnosis, treatment, cure, or prevention of any disease, illness, injury, or other medical condition.

17. Income Claims. Consultants must not overstate the financial opportunity presented by the Beautycounter business. Consultants may discuss their experience with the Beautycounter business, but shall make it clear that income is not guaranteed. When presenting or discussing the Beautycounter

opportunity or Career Plan with a prospective Consultant, Consultants must provide the prospect with a copy of the current version of Beautycounter's income disclosure statement ("IDS").

18. Career Plan Claims. When presenting or discussing the Beautycounter Career Plan, you must make it clear to prospects that financial success in Beautycounter requires commitment, effort, and sales skill. Conversely, you must never represent that one can be successful without diligently applying themselves. Examples of misrepresentations in this area include:

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

The above are just examples of improper representations about the Career Plan. It is important that you do not make these, or any other representations, that could lead a prospect to believe that they can be successful as a Consultant without commitment, effort, and sales skill.

19. Media Inquiries. Consultants must not interact with the media regarding the Beautycounter business or products. All inquiries from the media, including radio, television, print, online, or any other medium, shall be directed to Beautycounter's public relations department at media@beautycounter.com.

20. Participation in Other Network Marketing Programs and Nonsolicitation. Beautycounter Consultants are free to

participate in other network marketing programs. However, Consultants who participate in other network marketing programs are not eligible to receive recognition at any Beautycounter function or event. During the term of this Agreement and any renewal of the Agreement, with the exception of a Consultant's personally Mentored Consultants, a Consultant may not directly or indirectly Recruit other Beautycounter Consultants for any other network marketing business. The term "Recruit" means the direct or indirect, actual or attempted, sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, another Beautycounter Consultant to enroll or participate in another network marketing opportunity.

If a Consultant is engaged in other non-Beautycounter business or Network Marketing program, it is the responsibility of the Consultant to ensure that his or her Beautycounter business is operated entirely separate and apart from all other businesses and/or Network Marketing programs. To this end, the Consultant must not:

- Display Beautycounter promotional material, sales aids, or products with or in the same location as, any non-Beautycounter promotional material or sales aids, products or services.
- Offer the Beautycounter opportunity, products or services to prospective or existing Clients or Consultants in conjunction with any non-Beautycounter program, opportunity or products (postings on Pinterest and similar social media sites are exempt from this Policy).
- Offer, discuss, or display any non-Beautycounter opportunity, products, services or opportunity at any Beautycounter-related trunk-show, meeting, seminar, convention, webinar, teleconference, or other function.

21. Confidential Information.

"Confidential Information" includes, but is not limited to, the identities, contact information, and/or sales information relating to Beautycounter's Consultants and/or Clients: (a) that is contained in or derived from any Consultants' Behind the Counter site; (b) that is derived from any reports issued by Beautycounter to Consultants to assist them in operating and managing their Beautycounter business; and/or (c) to which a Consultant would not have access or would not have acquired but for his/her affiliation with Beautycounter. Confidential Information constitutes proprietary business trade secrets belonging exclusively to Beautycounter and is provided to Consultants in strict confidence. Confidential Information shall not be directly or indirectly disclosed to any third party nor used for any purpose other than Consultant's use in building and managing her Independent Beautycounter business.

22. Product Inventory & Bonus Buying.

Bonus buying is strictly prohibited. Bonus buying includes the purchase of merchandise for any reason other than bona fide resale or use, or any mechanism or artifice to qualify for rank advancement or maintenance, incentives, prizes, commissions or bonuses that are not driven by bona fide product purchases by end user consumers for actual use.

23. Limitations on Consultant and Household Businesses.

Consultants may own, operate, control, or have an interest in, only one Beautycounter business, and there may be only one Beautycounter business in a household. A "household" is defined as spouses and dependent children of one or both spouses living in the same home of the spouses.

24. One Account per Consultant.

Consultants may have only one account of any kind (including Consultant, Member, or

Client) under which orders are placed, and each account may have only one user-profile.

25. Actions of Affiliated Parties. The term “Business Entity” shall mean any corporation, partnership, limited liability company, trust or other entity that owns or operates a Beautycounter independent business. The term “Affiliated Party” shall mean any individual, partnership, trust, limited liability company, or other entity that has an ownership interest in, or management responsibility for, a Business Entity.

A Business Entity and each Affiliated Party must comply with the Agreement. If a Business Entity and/or any Affiliated Party violates the Agreement, Beautycounter may take disciplinary action against the Business Entity and/or against any or all of the Affiliated Parties. In addition, if a household family member of a Consultant engages in conduct that would be a violation of the Agreement, the conduct of the household family member shall be imputed to the Consultant, and Beautycounter may take disciplinary action against the Consultant.

26. Tampering with Product Packaging. Beautycounter products must be sold in their original packaging; Consultants shall not alter the original packaging or labeling.

27. Negative Comments. Complaints and concerns about Beautycounter should be directed to the Customer Care Department. Consultants must not disparage, demean, or make negative remarks to third parties or other Consultants about Beautycounter, its owners, officers, directors, management, other Beautycounter Consultants, the Marketing and Career Plan, or Beautycounter’s directors, officers, or employees. Disputes or disagreements between any Consultant and Beautycounter shall be resolved through the dispute resolution process, and the Company and

Consultants agree specifically not to demean, discredit, or criticize one another on the internet or any other public forum.

28. Sales Receipts. Consultants must provide their retail Clients that purchase merchandise directly from the Consultant with **two copies** of an official Beautycounter sales receipt at the time of the sale and advise them of the three day right to rescind the transaction, which is set forth on the receipt. Consultants must maintain all retail sales receipts for a period of two years and furnish them to Beautycounter at the Company’s request. Sales receipts can be ordered from the Company from your Behind the Counter site. Retail Clients who purchase from a Consultant’s Behind the Counter need not be provided with a sales receipt as the receipt will automatically be sent by the Company via autoresponder at the time the order is placed.

29. Minimum Payout. Beautycounter will accrue Consultant commissions and bonuses until a minimum of \$10.00 USD (\$25.00 CAD) has accrued. Beautycounter will issue payment once a Consultant has accrued a total of \$25.00 in commissions and bonuses.

Notwithstanding the minimum accrual amount, all accrued compensation will be forfeited should the Consultant’s business be cancelled, terminated, or reassigned to Band of Beauty Member status.

30. Adjustment to Bonuses and Commissions. When a product is returned to Beautycounter for a refund, is repurchased by the Company, or a chargeback occurs, the commissions and overrides earned as a result of the corresponding sale will be deducted from the Consultant and their upline lineage. However, the returned or repurchased merchandise, nor the chargeback shall not impact qualifications for rank, maintenance,

or incentives.

31. Sales Closing Dates. Month-end closing dates and published contest deadlines are firm and no exceptions are granted in the regular course of business. Beautycounter may however, extend deadlines at its sole discretion in the event of extenuating circumstances such as a natural disaster.

32. Return of Inventory and Sales Aids by Consultants Upon Cancellation. Upon cancellation of a Consultant's Agreement, the Consultant may return products and Sales Tools that he or she personally purchased from Beautycounter within one year prior to the date of cancellation (the one year limitation shall not apply to residents of Maryland, Massachusetts, Puerto Rico and Wyoming) so long as the goods are in Resalable condition. Upon the Company's receipt of returned goods and confirmation that they are in Resalable condition, the Consultant will be reimbursed 90% of the net cost of the original purchase price(s). Shipping and handling charges will not be refunded. If the purchases were made through a credit card, the refund will be credited back to the same account. Goods are "Resalable" if they are unopened and unused and packaging and labeling has not been altered or damaged. Any merchandise that is clearly identified at the time of sale as nonreturnable, closeout, discontinued, or as a seasonal item, is not Resalable. Replicated website fees are not refundable except as may be required under applicable state law.

33. Order Cancellation and Return Policy. Federal and state law requires that Consultants notify their retail Clients that they have three business days (5 business days for Alaska residents, 15 days for residents of North Dakota over the age of 65. Saturday is a business day, Sundays and legal holidays are not business days) within which to cancel their purchase and receive a full refund upon return of the products in substantially as good condition as when they

were delivered. Consultants shall verbally inform their Clients of this right, shall provide them with TWO copies of a retail receipt at the time of the sale, and shall point out this cancellation right stated on the receipt.

In addition to the Federal and State laws cancellation rights stated above, product(s) returned within 60 days of the original order ship date are eligible for a full refund of the price paid for the product(s) and applicable taxes. Refunds are provided to the original form of payment. If the entire order is returned, Beautycounter will refund up to \$5.95 of the shipping and handling fees paid. If a refund is desired for a collection or set, the entire collection or set must be returned. If a combination of product credit and other form(s) of payment were used on an order, the product credit portion of the payment will be refunded first. No exchanges are available.

If a Consultant returns merchandise for a refund totaling more than \$300 in products (cumulatively) in any 12 consecutive month period, and the Company reasonably believes that the Consultant is engaging in abusive return practices and/or manipulating the compensation plan: (a) the Company will treat the request(s) as the Consultant's voluntary cancellation of her Consultant Agreement; (b) the Company will treat the refund that causes the aggregate refund requests to exceed \$300 in 12 months as an inventory repurchase per Policy 32; and (c) the Consultant's Beautycounter business will be terminated.

34. Montana Residents. A Montana resident may cancel his or her Consultant Agreement within 15 days from the date of enrollment, and within such time period may return his or her Consultant Kit and all merchandise and sales tools she purchased for a full refund.

35. Backorders. Beautycounter will make

every effort to avoid backorders, but occasionally they may occur. If a backorder occurs, Beautycounter will notify the buyer of the backorder status and provide a revised anticipated ship-date. The buyer may at that time opt to cancel the order, although the default procedure is to retain the order on file and ship when the backordered merchandise is in stock. If Beautycounter determines that the revised ship date is not accurate, it will issue a second revised ship date. As of the notice of the second revised ship-date, the default option will be that the order will be cancelled. However, the buyer will be given the option to keep the order in place and remain on back order.

36. Disciplinary Sanctions. Violation of the Agreement, any illegal, fraudulent, deceptive or unethical business conduct, or any act or omission by a Consultant that the Company reasonably believes may damage its reputation or goodwill, may result in the suspension or termination of the Consultant's Beautycounter business, and any other disciplinary measure that Beautycounter deems appropriate to address the misconduct. In situations deemed appropriate by Beautycounter, the Company may institute legal proceedings for monetary and/or equitable relief.

37. Effect of Cancellation. A Consultant whose business is cancelled for any reason will lose all Consultant rights, benefits and privileges. This includes the right to represent oneself as a Beautycounter Independent Consultant, to sell Beautycounter products and services and the right to receive Commissions, bonuses, or other income resulting from his/her own sales and the sales and other activities of the Consultant and the Consultant's former downline sales organization.

Any accrued and unpaid Commissions at the time of cancellation will be forfeited.

The cancelled Consultant's downline Team will be reassigned to his or her Mentor immediately upon cancellation and will not be reinstated.

Any and all Clients and Members associated with the cancelled Consultant will be reassigned to the Consultant's Mentor immediately upon cancellation and will not be reinstated.

There is no whole or partial refund for Business Kit fees or renewal fees if a Consultant's business is cancelled.

A Consultant that has *voluntarily* cancelled his or her account (or was reassigned by the Company due to inactivity) may reenroll in the future. Consultants that reapply within six (6) months of their cancellation dates will be assigned to their prior Mentors. A Consultant that reenrolls must complete the registration process and purchase a Business Kit. A reenrolling Consultant's Team, Members, Clients, and any unpaid Commissions will not be reinstated.

See Section 37. Voluntary Cancellation for additional information about how to cancel a Consultant account.

38. Termination by the Company. The Company reserves the right at any time to terminate for convenience in its sole discretion the Agreement and the Consultant's Beautycounter business upon thirty (30) days' written notice to the Consultant. Termination shall be effective on the date on which written notice is mailed, emailed, faxed or delivered to an express courier, or when the Consultant receives actual notice of termination, whichever occurs first. The Company shall not be required to have any reason or to prove any cause in order to terminate the Agreement with any Consultant. If and when any Agreement is terminated, the Consultant shall have no claim against the Company, its affiliates or their respective

officers, directors, agents, employees, servants and representatives, nor any right to claim or collect lost profits, lost opportunities or any other damages. Termination will result in the loss of all benefits as a Consultant.

The terminated Consultant will not be eligible to reenroll with Beautycounter.

Termination by the Company will have the same effect on a Consultant's Commissions, Team, Clients, and Members as cancellation. Please refer to Section 36. Effect of Cancellation for details. The terms hereof are in satisfaction of any and all statutory and common law claims, including without limitation any right to reasonable notice of termination of the Agreement.

39. Consultant Activity Requirement. To remain as an active Beautycounter Consultant, you must accumulate a minimum of 1,200 in Qualifying Volume (QV) and 250 in New Volume (NV) every six (6) calendar months starting the month of a Consultant's enrolment for Consultants enrolled after April 1, 2016. Any Consultant enrolled prior to April 1, 2016 must meet these Volume requirements in every 6 month period, with the first period beginning on April 1, 2016. Failure to meet this requirement in each six (6) calendar month period will result in the Consultant's account being reassigned to Member status. Beautycounter will provide notice of such reassignment. A Member can purchase product as a consumer, but shall not have the right to resell products.

40. Reassignment to Member Status. Each Consultant entering into the Agreement also agrees to the terms and conditions outlined in the Member Agreement available on our website at www.beautycounter.com/, in the Terms of Use section, as amended from time to time and which takes effect upon reassignment to Member status under Section 39 of these Policies and Procedures.

A Consultant reassigned to Member status will not be required to pay any fees or meet Membership requirements for the first year after reassignment. In order to remain a Member beyond the initial calendar year, the Member must fully comply with the terms of the Member Agreement.

Reassignment to Member status will have the same effect on a Consultant's Team, Clients, and Members as cancellation. Please refer to Section 36. Effect of Cancellation for details.

As any reassignment will occur at the end of a monthly period, a Consultant who is reassigned will be paid any Commissions earned in the prior month.

A Consultant that has been reassigned to Member status may reapply at any time in the future.

41. Business Transfers. Beautycounter will not agree to the assignment of the Agreement as part of a transfer of business ownership, except upon the death of the Consultant.

42. Paid-As Title. Beautycounter has a pay for performance compensation plan. This means you are paid at the rank to which you achieve those requirements. Paid-As Titles may change each month depending on qualifications achieved.

43. Transfer Upon a Consultant's Death. A Consultant may devise his/her business to his/her heirs. Because Beautycounter cannot divide commissions among multiple beneficiaries or transferees, the beneficiaries or transferees must form a business entity (corporation, LLC, partnership, etc.), and Beautycounter will transfer the business and issue commissions to the business entity. In the case of a business transfer via testamentary instrument, the beneficiary of the business must provide Beautycounter with certified letters testamentary and

written instructions of the trustee of the estate, or an order of the court, that provides direction on the proper disposition of the business. The beneficiary must also execute and submit to the Company a Beautycounter Consultant Application and Agreement within 30 days from the date on which the business is transferred to the beneficiary or the business will be reassigned.

44. Business Distribution Upon Divorce.

Beautycounter is not able to divide commissions among multiple parties, nor is it able to divide a Sales Team. Consequently, in divorce cases, any settlement or divorce decree must award the business in its entirety to one party. Beautycounter will recognize as the owner of the business the former spouse to who is awarded the business pursuant to a legally binding settlement agreement or decree of the court. The former spouse who receives the Beautycounter business must also execute and submit a Beautycounter Consultant Application and Agreement within 30 days from the date on which the divorce becomes final or the business will be terminated.

45. Dissolution of a Business Entity.

Beautycounter is not able to divide commissions among multiple parties, nor is it able to divide a Sales Team. Consequently, in the event that a business entity that operates a Beautycounter business dissolves, the owners of the business entity must instruct the Company on the identity of the proper party who is to receive the business. The Beautycounter business must be awarded to a single individual or entity that was previously recognized by the Company as an owner of the business entity; the Company cannot divide the business among multiple parties or issue separate commission payments. In addition, the recipient of the Beautycounter business must also execute and submit a Beautycounter Consultant Application and

Agreement to the Company within 30 days from the date of the dissolution of the business entity or the Beautycounter business will be terminated.

46. International Activities.

Consultants may operate Beautycounter businesses only in the countries that the company has announced are officially open for business. As of March 14th, 2016, those countries are the United States of America (including the 48 continental states, Hawaii, Alaska, Puerto Rico and Military/Diplomatic Addresses) and Canada. The Territories of Guam, Northern Marianas, United States Virgin Islands and American Samoa are *not* open for business as of the time of publication. Cross-border sponsoring and sales are permitted only when utilizing Beautycounter’s official website, Behind the Counter, and/or a Consultant Personalized Website. Consultants may sell only product labeled for legal sale in the country in which the product is sold. Consultants may hold Socials outside of their Country of Operation, but all Guests and the Host included in a single Social must reside in the same country. Any and all values utilized in Compensation Plan qualification, calculation, and payout are subject to adjustment among international markets.

47. Dispute Resolution.

For claims seeking \$5,000.00 or more that arise from or relate to the Agreement, prior to filing arbitration as set forth below, the parties shall meet in good faith and attempt to resolve such dispute through confidential non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as mediator. If the Parties cannot agree on a mediator, the complaining party shall request a mediator be appointed by the American Arbitration Association (“AAA”). The mediation shall occur within 60 days from the date on which the mediator is appointed. The mediator’s fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally

between the parties. Each party shall pay its portion of the anticipated shared fees and costs at least 10 days in advance of the mediation. Each party shall pay its own attorney's fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in Los Angeles County, California (not applicable to citizens of Canada who reside in Canada), and shall last no more than two business days.

Except as otherwise provided in the Agreement, any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled through confidential arbitration. The Parties waive rights to trial by jury or to any court. This arbitration provision applies to claims that were not successfully resolved through the foregoing mediation process as well as claims for less than \$5,000.00 not subject to the mediation requirement. The arbitration shall be filed with, and administered by, the American Arbitration Association in accordance with the AAA's Commercial Arbitration Rules and Mediation Procedures, which are available on the AAA's website at www.adr.org. Copies of the AAA's Commercial Arbitration Rules and Mediation Procedures will also be emailed to Consultants upon request to Beautycounter's Client Service Department. Notwithstanding the rules of the AAA, unless otherwise stipulated by the Parties, the following shall apply to all Arbitration actions:

- The Federal Rules of Evidence shall apply in all cases;
- The Parties shall be entitled to all discovery rights permitted by the Federal Rules of Civil Procedure;
- The Parties shall be entitled to bring motions under Rules 12 and/or 56 of the Federal Rules of Civil Procedure;
- The Federal Arbitration Act shall

govern all matters relating to arbitration. The law of the State of California without regard to principles of conflicts of laws, shall govern all other matters relating to or arising from the Agreement;

- **The arbitration hearing shall commence no later than 365 days from the date on which the arbitrator is appointed, and shall last no more than five business days;**
- **The Parties shall be allotted equal time to present their respective cases;**
- **The arbitration shall be brought on an individual basis and not as part of a class or consolidated action.**

All arbitration proceedings shall be held in Los Angeles County (not applicable to citizens of Canada who reside in Canada). There shall be one arbitrator selected from the panel that the AAA provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court to which the Parties have consented to jurisdiction as set forth in the Agreement. This agreement to arbitrate shall survive the cancellation or termination of the Agreement.

The parties and the arbitrator shall maintain the confidentiality of the arbitration proceedings and shall not disclose to third parties:

- The substance of, or basis for, the controversy, dispute, or claim;
- The substance or content of any settlement offer or settlement discussions or offers associated with the dispute;
- The pleadings, or the content of any pleadings, or exhibits thereto, filed in any arbitration proceeding;
- The content of any testimony or other

evidence presented at an arbitration hearing or obtained through discovery in arbitration;

- **The terms or amount of any arbitration award;**
- **The rulings of the arbitrator on the procedural and/or substantive issues involved in the case.**

If a Party violates its confidentiality obligations under this arbitration policy, the nonbreaching party shall incur significant damages to its reputation and goodwill that shall not be readily calculable. Therefore, if a Party, its attorneys or agents breach the confidentiality provisions of this policy, the nonbreaching Party shall be entitled to liquidated damages in the amount of \$25,000.00 per violation. Every disclosure of each allegation, pleading, claim or other prohibited disclosure shall constitute a separate violation. The parties agree that this liquidated damage amount is reasonable and waive all claims and defenses that it constitutes a penalty.

Notwithstanding this arbitration policy, nothing in the Agreement shall prevent either party from applying to and obtaining from any court to which the Parties have consented to jurisdiction as set forth in the Agreement a temporary restraining order, preliminary or permanent injunction, or other equitable relief to safeguard and protect its intellectual property rights, trade secrets, and/or confidential information, including but not limited to enforcement of its rights under the provision of the Agreement.

48. Liquidated Damages. In any case which arises from or relates to the wrongful termination of Consultant's Agreement and/or independent business, the parties agree that damages will be extremely difficult to ascertain. Therefore, the parties stipulate that if the involuntary termination

of a Consultant's Agreement and/or loss of their independent business is proven and held to be pursuant to a breach of contract or otherwise wrongful under any theory of law, Consultant's sole remedy shall be liquidated damages calculated as follows:

- For Consultants at the "Paid As" title of Consultant through Manager, liquidated damages shall be in the amount of his/her gross compensation that he/she earned pursuant to Beautycounter's Career Plan in the twelve (12) calendar months immediately preceding the termination.
- For Consultants at the "Paid As" title Senior Manager through Director, liquidated damages shall be in the amount of his/her gross compensation that he/she earned pursuant to Beautycounter's Career Plan in the eighteen (18) calendar months immediately preceding the termination.
- For Consultants at the "Paid As" title Senior Director through Managing Director, liquidated damages shall be in the amount of his/her gross compensation that he/she earned pursuant to Beautycounter's Career Plan in the twenty-four (24) calendar months immediately preceding the termination.

Gross compensation shall include commissions and bonuses earned by the Consultant pursuant to Beautycounter's Career Plan as well as retail profits earned by Consultant for the sale of Beautycounter merchandise. However, retail profits must be substantiated by providing the Company with true and accurate copies of fully and properly completed retail receipts provided by Consultant to Clients at the time of the sale.

The Parties agree that the foregoing liquidated damage schedule is fair and reasonable.

For purposes of calculating liquidated damages, a Consultant's "Paid As" title is

the title at which she actually qualified to earn compensation under the Beautycounter Career Plan during a pay-period. For purposes of this Policy, the relevant pay-period to determine a Consultant's "Paid As" title is the pay-period during which the Consultant's business is placed on suspension or terminated, whichever occurs first.

includes a Client's, potential Client's or other individual's name, address, email address, phone number, credit card information, social security or tax identification number, and other information associated with these details, such as purchases.

49. Damage Waiver. In any action arising from or relating to the Agreement, the parties waive all claims for incidental and/or consequential damages, even if the other party has been apprised of the likelihood of such damage. The parties further waive all claims to exemplary and punitive damages.

50. Governing Law, Jurisdiction and Venue. Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in Los Angeles County, State of California, or the United States District Court for the Central District of California. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of California shall govern all other matters relating to or arising from the Agreement.

51. Louisiana Residents. Notwithstanding the foregoing, and the arbitration provision set forth above, residents of the State of Louisiana shall be entitled to bring an action against Beautycounter in their home forum and pursuant to Louisiana law.

52. Handling Personal Information. You must maintain the security and confidentiality of Personal Information for your Clients and other Consultants, as well as the Personal Information of prospective Clients and Consultants. If you have any such personal information, you must shred it (if it is in hard copy) or irretrievably delete it on any electronic device. Personal Information is information that identifies, or permits you to contact, an individual. It