

Art Channel, Inc. Associate Agreement

1. GENERAL

The Associate Member ("Associate") Application, Agreement, and the Commission Plan (collectively the "Agreement") explain and govern the relationship between each Associate and The Art Channel TV, Art Channel Galleries (ACG), and Art Channel Galleries, collectively the ("COMPANY"). Each Associate is required to read, understand, and comply with all terms and conditions of the Agreement. The Agreement shall constitute the entire understanding of the parties with respect to the subject matters covered in it.

The Associate Application, Agreement, and Commission Plan are subject to revision by COMPANY from time to time at its discretion. The current form of each, on the COMPANY website, shall govern all aspects of the relationships between COMPANY and its Associates. The current Associate Application, Agreement, and Commission Plan are available on the COMPANY website.

2. BECOMING A COMPANY ASSOCIATE MEMBER

To become an Associate, a new Applicant is required to complete, read and agree to an Associate Application and Agreement. The application should be accurately completed in its entirety and the Applicant(s), including all partners, shareholders and equity owners, must agree to the Associate Application and Agreement personally. Electronically submitted applications are considered as a received document. The COMPANY reserves the right to reject any Associate Application at its sole discretion. Upon notification of acceptance by COMPANY, the new Associate will be entered into the COMPANY computer and electronic business files. If there are any errors on an Application, Associates should verify with the Associate Support Department at COMPANY within two (2) weeks of the date of the Application.

Eligibility requirements to become an Associate Member are as follows:

A. Legal Age. Any individual who is of legal age and residing in a country where COMPANY is currently doing business is eligible to become an Associate.

B. ID Number. An Associate Identification Number is to be inserted on the Application. This number should be either the Individual's Social Security Number, a Federal Tax Identification Number, if applying as a business, or a government id, such as a passport number. Incorrect Tax I.D. Numbers can result in a \$100.00 fine and/or termination.

C. Legal Entity. If an Applicant is a corporation, partnership or other legal entity, all shareholder(s) of the corporate Applicant, all partner(s) of the partnership or all owners of the legal entity applicant must agree to the Associate Application. A list of the names of each shareholder of the corporate Applicant, each partner of the partnership Applicant, or each owner if another legal entity must accompany the Associate Application. All legal documentation should be submitted with the Application, including but not limited to, articles of incorporation or organization, partnership agreements, regulations, charters, licenses, shareholder agreements, partnership agreements, and other pertinent legal information. The Associate Application can be rejected without such documentation.

D. Change of Enrollers. Associates wishing to change enrollers can do so only by resigning and then waiting one (1) year before rejoining with a new enroller without his/her original sales organization.

E. Independent Contractors. Associates are Independent Contractors. They are not franchisees, joint ventures, partners, employees or agents of COMPANY, and are prohibited from stating or implying whether orally or in writing, otherwise. Associates have no authority to bind COMPANY to any obligation. COMPANY is not responsible for payment or co-payment of any employee benefits. Associates are responsible for liability, health, disability, workmen's compensation and other insurance. Associates set their own hours and determine how to conduct their COMPANY business and are responsible for their own management decisions subject to the Associate Agreement.

3. CHANGES IN ASSOCIATE MEMBERSHIP STATUS

A. Death. Upon the death of an Associate Member, the rights and responsibilities of the Associate are passed on to the rightful heir(s) as determined by a court of competent jurisdiction. The heir(s) if, but only if,

that individual or entity confirms in writing within ninety (90) days that he or she shall be bound by the terms and conditions of the Agreement.

B. Divorce. Upon divorce, COMPANY must be notified as to which former spouse will assume ownership of the Associate Membership (AM) as determined by a court of competent jurisdiction. A change in the ownership of the AM will not take place until COMPANY receives a copy of the divorce documentation. Should the party who does not assume ownership of the AM desire to remain an Associate; he/she may do so by submitting a new Associate Member Application at the time the divorce documentation is submitted to COMPANY. He/she shall then be entered as a new Associate Member under the original enroller.

C. Marriage. If two (2) existing Associates marry, they may maintain their separate Associate Memberships.

D. Dissolution of Corporate or Partnership Associate Membership (AM). Upon the dissolution of a corporation or termination of a partnership which owns the AM, the ownership of the AM will be transferred pursuant to the agreement among the shareholders or partners or upon order of a court of competent jurisdiction upon written notification to COMPANY. If one or more of the partners or shareholders in an AM terminates his/her on-going relationship with COMPANY by leaving the partnership or disposing of his/her share of equity holdings, such parties, including the departing party, shall continue to be bound by the terms of the Associate Agreement. If a dispute arises over the disposition of the partnership interest, or assets, or share holdings or corporate assets, or the income from the AM, COMPANY may suspend the AM and hold all commissions until the dispute over the disposition is resolved by agreement between the parties or by an order from a court of competent jurisdiction.

E. Sale of an Associate Membership (AM)

An AM or any rights, direct or indirect, relating to an AM may not be sold or otherwise transferred by the Associate without prior written approval from COMPANY, in its sole and absolute discretion. No sale will be approved unless it includes a covenant by the seller not to solicit his/her prior Group of Associates for at least six (6) months after the effective date of the sale. An AM or any right thereto which is under suspension, on probation, or subject to any disciplinary action or any investigation by or on behalf of COMPANY, may not be sold or otherwise transferred while such condition continues.

The Purchase and Sale Agreement must include a provision in which the parties agree upon the ownership of the inventory of the AM upon the sale. COMPANY shall not grant a refund on inventory from a person who sold his/her interest in an AM.

The seller may not reapply or purchase another COMPANY AM for a period of twelve (12) months, either as an individual, partnership or corporation or other legal entity.

The purchaser of an AM shall be responsible for all acts or omissions of the seller in contravention of the Agreement for a period of six (6) months after the date of the sale or transfer. For purposes of this provision, the seller will be required to continue to comply with all post-termination obligations of the Agreement.

F. Mergers; Addition of Co-Associates, Partners, Shareholders and/or Owners. Mergers will be permitted only between enroller and its first level. COMPANY reserves the right in its sole and absolute discretion to approve or disapprove any proposed merger or admission of Co-Associates, partners, shareholders or other owners. The admission of a Co-Associate, partner, shareholder or other owner must create a bona fide business relationship and must not involve the addition of inactive persons or of entities or other persons or entities which "pass through" income to others.

G. Withdrawal or Removal of Co-Associates, Partners and/or Owners. If a Co-Associate, Partner or Owner is removed or withdrawn from the AM, the remaining AM shall be responsible for all acts or omissions in contravention of the Agreements, of those who have left the AM, for a period of six (6) months after the date of the departure of the Co-Associate, Partner, or Owner For purposes of this provision, the seller will be required to continue to comply with all terms post-termination obligations of the Agreement.

H. Name Change. An Associate may change the operating name of the AM by forwarding written notification to COMPANY. COMPANY reserves the right to request the Articles of Incorporation of a corporation or

Partnership Agreement of a partnership, or any amendments pertaining thereto, as well as any other relevant documents as well as any other corporate or partnership documentation relating to ownership or control.

I. Changing Enrollers. Except as set forth in Section 2 D., changing Enrollers is not allowed. Associate marketing is a business built upon sales of products for consumption and upon the creation of relationships. Once an Associate is sponsored, COMPANY believes in protecting this relationship to the fullest extent possible.

J. Suspension of Commission Payments. If there is any question over the disposition of the AM or the income from the AM (whether by reason of an event described in A through J or otherwise), COMPANY may suspend the AM and hold all commissions and bonuses until the dispute over the disposition is resolved by agreement between the parties or by an order from a court of competent jurisdiction.

4. TAXES AND GOVERNMENTAL REPORTS

A. Taxes. All Associates are personally responsible for all taxes due on any earnings from COMPANY or on sales proceeds or earnings from selling COMPANY'S products. COMPANY will provide a record of any and all moneys paid by COMPANY to each Associate and will issue and file such reports to governmental agencies or others as may be required by law. Associate will not be treated as an employee of COMPANY for federal or state tax purposes.

B. Sales Tax. COMPANY provides the service of collecting sales tax at the time of purchase from all Residents of the State of Texas and remitting it to the State of Texas. The amount of sales tax is based upon the suggested retail price of the product calculated at the local tax rate from where the product is shipped (Dallas , TX).

5. ENROLLING POLICY

A. Enroller. Every Associate must have an enroller. Each new prospect has the right to choose his/her own enroller. An Associate shall not unduly influence or in any way entice prospects with representations as to possible income or business development, or payment of any compensation by an Associate.

B. Dispute. COMPANY recognizes the enroller as the Associate shown on the first entered original Associate completed, dated, and electronically completed and entered into COMPANY'S computer system.

C. Training. Associates who enroll other Associates must thereafter use their best efforts to provide an on-going basis, bona fide supervision and training of enrolled Associates and their sales group. This should include ongoing contact, communication, encouragement and support of his/her sales organization.

6. PATENT PENDING COMPENSATION TERMS

Referral Commission

All Associate Members in Good Standing earn twenty percent (20%) commission from their Preferred Customer purchases and from the purchases of their personally introduced Associate Members.

Art Channel Galleries Rewards Card

All Associate Members are given a Art Channel Rewards Card (ARC) for every \$100 Commissionable Volume (CV) of personal product purchases or from Preferred Customer purchases. Once an associate has an accumulative total of personal purchases and/or Preferred Customer purchases of \$200 in Personal Retail Sales Volume (PRSV) the qualifying Associate Member will earn their first ARC's and be eligible to earn Purchase Credits and obtain active Associate Member status. ARC's will be awarded retroactively. Each Art Channel Rewards Card has a maximum of \$150 in commissions redeemable once it is filled.

Each time you receive either a Purchase Credit or Global Sharing Purchase Credit you earn a punch on your Art Channel Rewards Card. Each Art Channel Rewards Card punch has a value of either \$0, \$10, \$20, \$40 or \$80 which goes into your Virtual Commission Account daily.

Global Sharing & Purchase Credits for the CRC

Purchase Credits for the Art Channel Rewards Card are created from every \$100 Commissionable Volume (CV) of Art Channel Collectibles purchased by a personally introduced Associate Member and the personally introduced Associate Member's Preferred Customers. Fifty percent (50%) of the Purchase Credit is applied to the Art Channel Rewards Card of the Referring Associate Member, and fifty percent (50%) of the Purchase Credit is applied as Global Sharing Purchase Credits to the Associate Member according to the earliest Art Channel Rewards Card's date and time stamp. This creates a Global Sharing Environment.

Art Channel Bonus Cards

Silver Star, Gold Star, Platinum Star or Collector Associate Members in good standing receive a Art Channel Bonus Card (ABC) for every \$200 Commissionable Volume (CV) that their Personally Introduced Associate Members and their Preferred Customers purchase. Each Art Channel Bonus Card has a maximum of \$150 in commissions redeemable once it is filled. Each time you receive a Bonus Purchase Credit you earn a punch on your Art Channel Bonus Card. Each Art Channel Bonus Card Punch has a value of either \$0, \$10, \$20, \$40 or \$80, which goes into your Virtual Commission Account DAILY.

Team Leadership Bonuses Silver Star

Silver Star Associate Members are able to earn Art Channel Bonus Cards and Bonus Purchase Credits. To achieve Silver Star Status requires \$800 (PRSV) OR \$400 PRSV & Personally Introduced Associates with \$400 PRSV. Silver Star Qualifications: A Silver Star Associate must maintain a minimum of \$200 (PRSV) monthly and a total of \$800 (PRSV) every two (2) months.

Gold Star

Gold Star Associate Members are able to earn two percent (2%) on two (2) Gold Star Associate Members in depth. Gold Star Members are able to earn Art Channel Bonus Cards and Bonus Purchase Credits. To achieve Gold Star status requires five (5) personally introduced Silver Star Associate Members. Gold Star Qualifications: A Gold Star Associate must maintain a minimum of \$200 (PRSV) monthly and a total of \$800 (PRSV) every two (2) months. A Gold Star Member must also maintain five (5) personally introduced Silver Star Associates every two (2) months.

Platinum Star

Platinum Star Associate Members are able to earn two percent (2%) on four (4) Platinum Star Associate Members in depth. Platinum Star Members are able to earn the Gold Star Bonuses as well as the Art Channel Bonus Cards and Bonus Purchase Credits. To achieve Platinum Star status requires five (5) personally introduced Gold Star Associate Members. Platinum Star Qualifications: A Platinum Star Associate must maintain a minimum of \$200 (PRSV) monthly and a total of \$800 (PRSV) every two (2) months. A Platinum Star Member must also maintain five (5) personally introduced Gold Star Associates every two (2) months.

Team Collector

Team Collector Associate Members are able to earn two percent (2%) on two (2) Team Collector Associate Members in depth. Collector Members are able to earn the Platinum and Gold Star Bonuses as well as the Art Channel Bonus Cards and Bonus Purchase Credits. To achieve Collector status requires five (5) personally introduced Platinum Star Associate Members. Team Collector Qualifications: A Team Collector Associate must maintain a minimum of \$200 (PRSV) monthly and a total of \$800 (PRSV) every two (2) months. A Team Collector Member must also maintain five (5) personally introduced Platinum Star Associates every two (2) months.

7. LIMITED RETURN POLICY

Associates are not required or encouraged to carry inventory.

Under COMPANY'S return policy, COMPANY will only accept product for return that has not been removed from the shipping container. COMPANY will exchange for new product any product that is returned (1) damaged in shipment, if a claim is made upon receipt of product, or (2) of substandard quality, if a claim is made within the applicable 30 day warranty period. A Return Products Form must be completed and sent to COMPANY along with the product being returned and the proof of purchase. Upon verification by COMPANY that the product is defective or damaged, incorrect product will be replaced with correct product and damaged product will be replaced with undamaged product.

Upon written request of the Associate made not later than the 30TH day from the date of purchase by Associate, COMPANY will repurchase all unencumbered products that are in an unused, commercially resalable condition at a price not less than 100% of the amount actually paid by the Associate minus Shipping and Handling and any consideration received by the Associate for the sale or purchase of the products being returned. A product that is no longer marketed by COMPANY is considered resalable if the product is otherwise in an unused commercially resalable condition and is returned within 30 days of the date of purchase unless it was clearly disclosed to the Associate before purchase that the product was sold as non-returnable, discontinued, seasonal or a special promotion item.

8. LIMITED LICENSE

COMPANY has certain trademarks, service marks, trade names, slogans, symbols, and color schemes that are proprietary. Except for marketing materials, sample products, and advertising provided or sold to the Associates by COMPANY, the Associate shall not use or display such trademarks, service marks, trade names, slogans, symbols, and color schemes without COMPANY'S prior written permission. Associate acknowledges that any right to use COMPANY'S Marks and copyrighted materials in non-exclusive, and that COMPANY has the right and sole discretion to grant others the right to use such Marks and materials. Associate expressly recognizes that any and all good will associated with the Marks and copyrighted materials (including goodwill arising from Associate's use) inures directly and exclusively to the benefit of COMPANY and is the property of COMPANY, and that, on expiration or termination of this Agreement, no monetary amount shall be attributable to any goodwill associated with Associate's use of the Marks or copyrighted materials.

9. ADVERTISING

Trademarks/Service Marks. Associates shall not advertise COMPANY'S product or business opportunity in any way other than by use of advertising or promotional materials made available to the Associate by COMPANY.

A. Associates are prohibited from using COMPANY'S trademarks, service marks, trade names, slogans, symbols, and color schemes in advertising in a manner that would suggest or imply that they are employed by or are agents of COMPANY. All advertisements must provide the name of an independent Associate only. Associates shall not make any representations as to potential income to be received by a prospective Associate.

B. No Reproduction. All COMPANY materials, whether printed, on film or produced by audio or video recording are copyrighted and may not be reproduced in whole or in part by Associates or any other person unless authorized by COMPANY.

C. No Distribution. Associates may not produce, use or distribute any information relative to the contents, characteristics, or properties of COMPANY'S products which has not been provided directly by COMPANY. This includes but is not limited to print, audio or online media.

D. Deceptive Materials. Associates may not produce, sell or distribute literature, films, audio recordings or video recordings which are deceptively similar in nature to those produced, published, and provided by COMPANY for its Associates. An Associate may not purchase, sell, or distribute non-COMPANY materials that imply or suggest that said materials originate from COMPANY.

E. Approved Vendors. Any and all support materials, e.g. promotional and premium items are to be sold and/or distributed only by COMPANY or COMPANY approved vendors.

F. Telephone Use. Associates may not answer the telephone and/or use any telephonic message device in a way that would represent or imply that they are employed by or are agents of COMPANY.

G. Listing of Name. Associates may be listed in telephone directories white or yellow pages as follows:

"Smith, Jane and John, Art Channel Galleries International Inc . Independent Associates, Address and/or Telephone Number"

H. 800 Numbers. An Associate may list any 1-800 number under the name of his/her AM, as an Associate, and must not represent that he/she is employed by, or is an agent of COMPANY.

I. Further Restrictions. COMPANY prohibits the use of its trademarks, service marks, trade names, slogans or symbols or any of its product trade names or any copyrighted materials through telephonic devices, including computer networks, facsimile machines or other automatic calling devices for the purpose of soliciting potential Associates or customers.

J. Media Opportunities. Media opportunities are not individual sales opportunities. All media opportunities must be referred to COMPANY'S Associate Relations department. Associates must not have any contact with the media unless written authorization is received from COMPANY.

K. Donations. Associates are permitted to make personal donations of product or funds to an organization or program provided they do not represent the donation as being from COMPANY.

L. Media Coverage. Donations may not be made for the purpose of soliciting media coverage. If the media solicits coverage of an event, COMPANY'S Associate Relations department must be notified immediately to review the media opportunity.

M. Business Cards. An Associate may order business cards using the sample provided on the Associate Training Site. If an Associate's relationship with COMPANY has terminated, he/she must immediately cease using and destroy all business cards utilizing COMPANY trademarks, trade names, services marks, logos or color schemes.

N. Repackaging. Associates may not re-label, repackage, or modify COMPANY'S products in any way.

O. No Endorsements. No endorsements by a COMPANY officer or administrator or third parties may be asserted, except as expressly communicated in COMPANY literature and communications. Federal and state regulatory agencies do not approve or endorse direct selling programs. Therefore, Associates may not represent or imply, directly or indirectly, that COMPANY'S programs, products or services have been approved or endorsed by any governmental agency.

P. Internet Policy. Associates may not advertise or promote their Associate business or COMPANY'S business, products or marketing plan or use COMPANY'S name in any electronic media or transmission, including on the Internet via web sites or otherwise, without the prior written approval of COMPANY, which approval may be withheld at its sole discretion. If written approval is given, Associates must abide by the guidelines set forth by COMPANY, including but not limited to the following: (i) Associates shall not make offers or solicitations in the guise of research, surveys or informal communication, when the real intent is to sell products or services or sponsor Associates; (ii) Associates operating on-line websites, whether or not they collect personal information from individual consumers, shall disclose to the consumer in a prominent place on the website how the consumer information will be used; (iii) Associates sharing personal information collected on-line should provide individual consumers with an opportunity to prohibit the dissemination of such information, and if any consumer requests that his or her personal information not be shared, Associates shall refrain from sharing such information; (iv) Associates shall provide individual consumers the option to terminate any further communication between the Associate and the consumer and if any consumer requests that an Associate cease communication, the Associate should immediately stop communicating upon such request; (v) Associates must abide by all laws and regulations regarding electronic communications; (vi) Associates may not distribute content by use of distribution lists or to any person who has not given specific permission to be included in such a process; spamming or distribution of chain letters or junk mail is not allowed; (vii) Associates may not distribute content that is unlawful, harassing, libelous, slanderous, abusive, threatening, harmful, vulgar, obscene, or otherwise objectionable material or which could otherwise give rise to civil liability or otherwise violate any applicable local, state, national or international law or regulation; and (viii) Associates may not send bulk unsolicited e-mails to persons who have not requested information.

Q. Sales Presentations. At sales presentations, Associates shall truthfully identify themselves, their products, and the purpose of their business to prospective customers. Associates may not use any misleading, deceptive, or unfair sales practices. Explanation and demonstration of products offered shall be accurate and complete including, but not limited to, with regard to price, terms of payment, refund rights, guarantees, and after-sales services and delivery. Personal or telephone contacts shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness. Associates must immediately discontinue a demonstration or sales presentation upon the request of the consumer. Associates shall not directly or by implication, denigrate any other company or product. Associate shall refrain from using comparisons which are likely to mislead and which are incompatible to the principles of fair competition. Points of comparison shall not be unfairly selected and shall be based on facts which can be substantiated. Associate shall not abuse the trust of individual consumers, shall respect the lack of commercial experience of consumers and shall not exploit a customer's age, illness, lack of understanding or lack of language expertise.

10. DELAYS

COMPANY shall not be responsible for delays and failures in performance of its obligations when performance is made commercially impracticable due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, riot, war, and fire, and death, curtailment of a party's source of supply, or government decrees or orders.

11. RENEWAL

The term of the Associate Agreement is one (1) year from the date of its acceptance by COMPANY. Associates may renew their Associate Agreement each year by paying an annual renewal processing fee. Acceptance of this renewal fee and the renewal of the Associate status are at the sole discretion of COMPANY. This fee may be automatically charged to the Associate's authorized account from which the Associate pays for his or her orders. The charging of such renewal fee by COMPANY to said account shall constitute acceptance of the renewal of the Associate Agreement.

12. CONFLICTS OF INTEREST AND CONFIDENTIALITY

Confidentiality. During the term of the Agreement, COMPANY may supply to Associates confidential information, including, but not limited to customer lists, customer information developed by COMPANY or developed for and on behalf of COMPANY by Associates, (including, but not limited to, customer and Associate profiles and product purchase information), Associate lists, manufacturer and supplier information, business reports, commission or sales reports and such other financial and business information which

COMPANY may designate as confidential. All such information (whether in written or electronic form) is proprietary and confidential to COMPANY and is transmitted to Associates in strictest confidence on a "need to know" basis for use solely in Associates' business with COMPANY. Associates must use their best efforts to keep such information confidential and must not disclose any such information to any third party, directly, or indirectly. Associates must not use the information to compete with COMPANY or for any purpose other than promoting COMPANY'S program and its products and services. Upon expiration, non-renewal or termination of the Agreement, Associates must continue to keep such information confidential, discontinue the use of such confidential information and promptly return any confidential information in their possession to COMPANY.

13. PRODUCT ORDER/SALES & RETURNS

A. Retail Sales In order to qualify for commissions, an Associate must make retail sales in the calendar period in which commissions are earned.

B. No Warranty. Except as expressly stated herein, COMPANY makes no warranty or representation as to the merchantability, fitness for a particular purpose, workmanship or any other warranty concerning any product or service purchased from or through COMPANY. Most products will carry a warranty from the manufacturer which Associates or customers should consult if problems with the product arise.

C. Cooling-Off Laws. Federal law grants a buyer the right to cancel certain sales without penalty prior to midnight of the third business day after the transaction. This rule covers retail consumer sales of \$25.00 or more that occur away from the seller's main office. COMPANY'S online sales order form contains all legally required notices. In addition, Associates site informs the buyer of the 30 day right to cancel at the time the buyer purchases the goods.

D. Other States. The following only applies to Associates who are residents of Georgia, Louisiana, Maryland, Massachusetts, Wyoming and any other state that may require the following:

An Associate in this Associate marketing plan (this is not an MLM plan) has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to COMPANY at its principal business address.

If an Associate has purchased products from COMPANY or paid for administrative services during the term of Agreement, COMPANY shall repurchase all unencumbered products, literature and sales aids which are in reasonably resalable or reusable condition. (For residents in Maryland, COMPANY'S obligation to repurchase is only for three (3) months after receipt of unopened goods which are to be returned.) Such repurchase shall be at a price not less than ninety percent (90%) of the original net cost to the Associate returning the items. Original net cost shall mean the amount paid for the items less any consideration received by the Associate for sales of the items being returned made by or through the Associate. Items are deemed "resalable or reusable" if they are returned in unused, commercially resalable condition upon return, and items no longer marketed must be returned within one (1) year of discontinuance unless COMPANY informs the Associate of such discontinuance prior to purchase.

The repayment of all administrative fees and cost of services shall be at not less than ninety percent (90%) of the cost to the Associate of such fees and services and shall reflect all administrative services that have not, at the time of termination been provided to the Associate. COMPANY shall further refund at not less than ninety percent (90%) of the cost to the Associate any other consideration paid by the Associate in order to participate in the program. The Associate shall be held responsible for all shipping expenses incurred in returning sales aids or products to COMPANY.

14. ERRORS OR QUESTIONS

If an Associate has questions about or believes any errors have been made regarding commissions, bonuses, Sales Group Activity Reports, or charges, the Associate must notify COMPANY within thirty (30) days of the date of the unreported error or incident in question. COMPANY will not be responsible for any errors, omissions or problems not reported to it within thirty (30) days.

15. ROLL -UP OF COMPENSATION ORGANIZATION

Upon cancellation or termination of AM, all individuals on the first level of the canceling or terminating Associate may move into the vacated position. Provided, however, in the event the Associate is involuntarily terminated for violation of COMPANY policies or other wrongful conduct, COMPANY may first recoup any losses arising from the terminated Associate's conduct before all individuals on the first level of the terminated Associate move in to the vacated position.

16. CONTINUING DEVELOPMENT OBLIGATIONS

Any Associate who wishes to participate in COMPANY'S must perform a bona fide supervisory function to ensure that his or her sales group is properly operating his or her COMPANY business. Associates must have ongoing contact, communication and management supervision with the Associates in their Sales Organizations. Examples of such contact and supervision may include, but not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail and electronic mail.

17. NON-DISPARAGEMENT

Associates must not disparage other COMPANY Associates, COMPANY'S products/services, the Marketing and Compensation Plan, or COMPANY'S employees.

18. REPORTING POLICY VIOLATIONS

Associates observing a Policy violation by another Associate should submit a written report of the violation directly to the attention of COMPANY Compliance Department. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

19. DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

A. Disciplinary Sanctions. Violation of the Agreement, fraudulent, deceptive or unethical business conduct by any Associate may result, at COMPANY'S discretion, in one or more of the following corrective measures:

1. Issuance of a written warning or admonition;
2. Requiring the Associate to take immediate corrective measures;
3. Imposition of a fine, which may be withheld from and commission checks;
4. Loss of rights to one or more commission checks;
5. Any other measure which COMPANY deems practicable to implement to equitably resolve injuries caused partially or exclusively by the Associate's policy violation or contractual breach.
6. Suspension of the individual's Associate Agreement for one or more pay periods;
7. Involuntary cancellation of the offending Associate's Agreement;
8. Immediate removal of the Associate's web site (s);
9. Any other measures expressly allowed within any provision of the Agreement;

The Associate is only entitled to a commission if he or she is not violation of the Associate Agreement.

Reconsideration. In the event an Associate is terminated and desires for his or her termination to be reconsidered, COMPANY must receive the request for reconsideration in writing within fifteen (15) days from the date of notice of termination. If no request for reconsideration is received within the (15) day period, the termination will automatically be deemed final. If an Associate files a timely notice of request for reconsideration, COMPANY will review the request for reconsideration and notify the Associate and the Ethics Committee of its decision within ten (10) days after receipt of the request for reconsideration. The decision of COMPANY will be final and subject to no further review. In the event the termination is not rescinded, the termination will remain effective as of the date stated in the original termination notice. The Ethics Committee will consist of officers of the COMPANY and at times, as determined in COMPANY'S sole discretion, other Associates selected by COMPANY.

C. Grievances and Complaints. When an Associate has a grievance or complaint with another Associate regarding any practice or conduct in relationship to their respective COMPANY businesses, the complaining Associate should first report problem to his or her Sponsor who should review the matter. If the matter cannot be resolved it must be reported in writing to the Associate Services Department at COMPANY. COMPANY Services Department will review the facts and resolve it.

D. Cost Effective Dispute Resolution/Waiver of Jury Trial.

1. If a dispute arises relating to any relationship between or among COMPANY, its Officers, Employees, Associates, Direct or Preferred Customers, or vendors or arising out of any products or services provided by COMPANY, it is expected that the parties will attempt in good faith to resolve any such dispute in amicable and mutually satisfactory manner.

In the event such efforts are unsuccessful, either Party may serve a notice of mediation on the other Party. Notice of Mediation shall be personally delivered or sent by prepaid registered airmail or air courier, and shall be effective on receipt thereof by the Party to whom it is addressed. Proof of receipt shall be a receipt signed by an officer or responsible official of the Party to whom it is addressed. The Notice of Mediation shall be dated, and without prejudice to any right under the Rules permitting subsequent modifications, shall specify the claims issues that are to be addressed in the mediation.

If differences cannot be resolved by mediation, the Parties agree that, in order to promote to the fullest extent reasonable possible a mutually amicable resolution of the dispute in a timely, efficient and cost-effective manner, they will waive their respective rights to a trial by jury and settle their dispute by submitting the controversy to arbitration in accordance with the commercial rules of the American Arbitration Association ("A.A.A."), except that all Parties shall be entitled to all discovery rights allowed under the Federal Rules of Civil Procedure as those rules exist in the United States Federal Court for the District of Texas.

The Arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. 1 et. Sea., and the judgment upon the award rendered by the arbitrator may be entered by a court of competent jurisdiction thereof. If an Associate files a claim or counterclaim against COMPANY, he or she may only do so on an individual basis through arbitration and not with any other Associate or as part of a class or consolidated action. Any substantive or procedural rights other than the enforceability of the arbitration agreement shall be governed by Texas law, without regard to Texas ' conflict of law principles.

The Parties further expressly agree (a) the arbitrator shall only reach his or her decision by applying strict rules of law to the facts; (b) the arbitration shall be conducted in the English language, in Dallas, Texas; (c) the Party in whose favor the arbitration, including, but not limited to, attorneys' fees and the cost and expense of administrating the arbitration proceedings, as well as any costs and attorneys' fees incurred in executing on or enforcing the arbitration award; and (d) the arbitral award shall be issued in Dallas, Texas, U.S.A.

Except as provided in this Section 20, no Party shall be entitled to commence or maintain any action in a court of law upon any matter in dispute until such matter shall have been submitted and determined as provided herein and then only for the enforcement of such arbitration award. Provided that, notwithstanding this dispute resolution policy, either Party may apply to a court of competent jurisdiction in Dallas, Texas, to seek injunctive relief before or after the pendency of any arbitration proceeding. The institution of any action for injunctive relief shall not constitute a waiver of the right or obligation of any party to submit any claim seeking relief other than injunctive relief.

Notwithstanding the foregoing, the arbitrator shall have no jurisdiction over disputes relating to the ownership, validity, use or registration of any mark, copyright, or other intellectual property or proprietary or confidential information of COMPANY without COMPANY'S prior written consent. COMPANY may seek any applicable remedy in any applicable forum with respect to these disputes and with respect to money owing to COMPANY. In addition to monetary damages, COMPANY may obtain injunctive relief against an Associate for any violation of the Agreement or misuse of COMPANY'S trademarks, copyrights or confidential information.

Nothing in this rule shall prevent COMPANY from terminating the Agreement or from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other injunctive or emergency relief available to safeguard and protect COMPANY'S interests prior to the filing of or during or following any arbitration or other proceeding or pending the handing down of a decision or award in connection with any arbitration or other proceeding.

Nothing contained herein shall be deemed to give the arbitrator any authority, power or right to alter, change, amend, modify, add to, or to subtract from any of the provisions of the Policies or Procedures, Compensation Plan or the Agreement.

E. Governing Law, Jurisdiction and Venue. Sole and exclusive jurisdiction and venue of any matter shall reside in Dallas , Dallas County , State of Texas , except to the extent invoking the jurisdiction of another court is necessary to enforce any judgment or order entered by the arbitrator or court located in Dallas , Texas . Judgment upon the award may be entered by the United States Federal District Court of appropriate County Superior Court located in the State of Texas or application may be made to such court for the judicial acceptance of the award and order of enforcement, as the case may be if the Arbitrator's award or decision is not complied with within seven (7) days of the Arbitrator's decision, except as expressly set forth herein. Except as set forth herein, Arbitration shall be the sole and exclusive procedure for resolution of disputes between the parties, including any disputes that might arise after termination of this Agreement.

20. NOTICES

All notices to be given pursuant to the Agreement shall be deemed to have been properly given by depositing the notice in the mail, addressed to the subject Associate at the last address on file with COMPANY, postpaid and registered or certified; or delivery by hand or by a recognized overnight delivery service; or by facsimile transmission. All notices shall be deemed given; three (3) business days from the date of postmark, if sent by mail; two (2) days after notice is deposited with a delivery service; or same day if delivered by hand or upon transmission by facsimile.

21. NON-WAIVER PROVISION

Failure of COMPANY to exercise any right stated in the Agreement shall not constitute a waiver of COMPANY'S right to demand exact compliance therewith. Waiver by COMPANY of any breach of any provision of the Agreements shall not constitute a waiver of any prior, concurrent, or subsequent breach by the Associate. Waiver by COMPANY must be issued in writing by an authorized officer.

22. SEVERABILITY

If under any applicable and binding law or rule of any applicable jurisdiction, any provision of the Agreement is held to be invalid or enforceable, COMPANY shall have the right to modify the invalid or unenforceable provision or any portion thereof, to the extent required to be valid and enforceable, and the Associate shall be bound by any such modification. The modification will be effective only in the jurisdiction in which it is required.

23. LIMITATION OF DAMAGES

TO THE EXTENT PERMITTED BY LAW, COMPANY AND ITS ASSOCIATES, OFFICERS, DIRECTORS, EMPLOYEES AND OTHER REPRESENTATIVES SHALL NOT BE LIABLE FOR, AND ASSOCIATES HEREBY RELEASE THE FOREGOING FROM, AND WAIVE ANY CLAIM FOR LOSS OF PROFIT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES WHICH MAY ARISE OUT OF ANY CLAIM WHATSOEVER RELATING TO COMPANY'S PERFORMANCE, NON-PERFORMANCE, ACT OR OMISSION WITH RESPECT TO THE BUSINESS RELATIONSHIP OR OTHER MATTERS BETWEEN ANY ASSOCIATE AND COMPANY, WHETHER SOUNDING IN CONTRACT, TORT OR STRICT LIABILITY. Furthermore, it is agreed that any damages to an Associate shall not exceed, and is hereby expressly limited to, the amount of unsold COMPANY programs, services and/or products of COMPANY owned by the Associate and any commissions owed to the Associate.