



SUNWAY BIOTECH INTERNATIONAL, LLC
STATEMENT OF POLICES & PROCEDURES
EFFECTIVE JUNE 2006

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DEFINITIONS

NOTES

1. INTRODUCTION

1.1 POLICIES INCORPORATED INTO DISTRIBUTOR AGREEMENT

These Policies and Procedures (Policies), in their present form and as amended at the sole discretion of Sunway Biotech International, LLC (hereafter “Sunway” or the “Company”), are incorporated into, and form an integral part of, the Sunway Distributor Application and Agreement (hereafter “Distributor Agreement”). Throughout these Policies, when the term “Agreement” is used, it collectively refers to the Sunway Distributor Agreement, these Policies, and the Sunway Marketing and Compensation Plan. These documents are incorporated by reference into the Distributor Agreement (all in their current form and as amended by Sunway). It is the responsibility of each distributor to read, understand, adhere to, and ensure that he or she is aware of and operating under the most current version of these Policies. When sponsoring a new distributor, it is the responsibility of the sponsoring distributor to provide the most current version of these Policies to the applicant prior to his or her execution of the Distributor Agreement.

1.2 PURPOSE OF POLICIES

Sunway distributors are required to comply with all of the Terms and Conditions set forth in the Agreement which Sunway may amend at its sole discretion from time to time, as well as all federal and state laws governing their Sunway business and their conduct. Because you may be unfamiliar with many of these standards of practice, it is



very important that you read and abide by the Agreement. Please review the information in these Policies carefully. They explain and govern the relationship between you, as an independent contractor, and the Company.

1.3 CHANGES TO THE DISTRIBUTORS AGREEMENT, POLICIES AND PROCEDURES, OR MARKETING COMPENSATION PLAN

Because federal, state, and local laws, as well as the business environment, periodically change, Sunway reserves the right to amend the Marketing Compensation Plan, Policies and Procedures, Distributor Agreement and the prices in its Sunway Product Price List in its sole and absolute discretion. By signing the Distributor Agreement, a distributor agrees to abide by all amendments or modifications that Sunway elects to make. Notification of amendments shall appear in Official Sunway Materials. Amendments shall be effective upon publication in Official Sunway Materials, including but not limited to, posting on sunwaybiotech.com, or mysunway.com, e-mail distribution, publication in Sunway's newsletter, product inserts, or any other commercially reasonable method. The continuation of a distributor's Sunway business or a distributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

1.4 DELAYS

Sunway 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, fire, flood, and death, curtailment of a party's source of supply, or government decrees or orders

1.5 POLICIES AND PROVISIONS SEVERABLE

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

1.6 TITLE NOT SUBSTANTIVE

The titles and headings in the Agreement are for reference purposes only, and do not constitute, and shall not be construed as, substantive terms of the Agreement.



1.7 WAIVER

The Company never gives up its right to insist on compliance with the Agreement and with the applicable laws governing the conduct of a business. No failure of Sunway to exercise any right or power under the Agreement or to insist upon strict compliance by a distributor with any obligation or provision of the Agreement, and no custom or practice of the parties at variance with the terms of the Agreement, shall constitute a waiver of Sunway's right to demand exact compliance with the Agreement. Waiver by Sunway can be effectuated only in writing by an authorized officer of the Company. Sunway's waiver of any particular breach by a distributor shall not affect or impair Sunway's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other distributor. Nor shall any delay or omission by Sunway to exercise any right arising from a breach affect or impair Sunway's rights as to that or any subsequent breach.

The existence of any claim or cause of action of a distributor against Sunway shall not constitute a defense to Sunway's enforcement of any term or provision of the Agreement.

2. BECOMING A DISTRIBUTOR

2.1. REQUEREMENTS TO BECOMING A DISTRIBUTOR

To become a Sunway distributor, each applicant must:

- Be of the age of majority in his or her state of residence;
- Reside in the United States or other countries which have been officially opened by Sunway;
- Have a valid Social Security Number or Federal Tax Identification Number;
- Submit a properly completed and signed Distributor Agreement to Sunway (the Company reserves the right to reject any applications for new distributorships or applications for renewal); and
- Purchase a Distributor Start Package.

A person who is recognized as a minor in his or her state of residence may not be a Sunway distributor. Distributors shall not enroll or recruit minors into the Sunway program.



2.2. INVENTORY AND DISTRIBUTOR START PACKAGE

A person is required to purchase Sunway products or services to become a distributor. Sunway will repurchase Resalable kits from any distributor who terminates his or her Distributor Agreement pursuant to the terms in the “Return of Inventory and Sales Aids by Distributors” section of these Policies.

2.3. NEW DISTRIBUTOR REGISTRATION BY FACSIMILE OR INTERNET

A Sponsor or the new distributor may submit an application by fax or the internet. Fax applications must include both the front and back of the Distributor Agreement. Volume generated through distributors enrolled by fax will not count toward qualification, or for contest purposes, if subsequently canceled for failure to submit an online, fax, or original hard-copy Distributor Agreement as stated above.

2.4. DISTRIBUTOR BENEFITS

Once a Distributor Agreement has been accepted by Sunway, the benefits of the Marketing and Compensation Plan and the Distributor Agreement are available to the new distributor. These benefits include the right to:

- Purchase Sunway products and services at the wholesale price;
- Retail Sunway products or resell services, which are described on the website, and profit from these sales;
- Participate in the Sunway Marketing and Compensation Plan (receive bonuses and commissions, if eligible);
- Sponsor other individuals as retail customers or distributors into the Sunway business and thereby build a Marketing Organization and progress through the Sunway Marketing and Compensation Plan;
- Receive periodic Sunway literature and other Sunway communications;
- Participate in Sunway sponsored support service training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- Participate in promotional and incentive contests and programs sponsored by Sunway for its distributors.

2.5. RENEWAL OF YOUR SUNWAY BUSINESS

The term of the Distributor Agreement is one (1) year from the date of its acceptance



by Sunway. Distributors must renew their Distributor Agreement each year by paying an annual renewal fee as determined by the Company on or before the anniversary date of their Distributor Agreement. If the renewal fee is not paid within thirty (30) days after the expiration of the current term of the Distributor Agreement, the Distributor Agreement may be canceled; however, in the absence of extenuating circumstances, all agreements are renewed under the Automatic Renewal Program (“ARP”). Under the ARP, the renewal fee will be deducted from the distributor’s bonus check for the anniversary month of the Distributor Agreement. If the bonus check does not have sufficient funds to cover the renewal fee, a debit shall remain against the distributor’s account until such funds are available.

3. OPERATING A SUNWAY BUSINESS

3.1. ADHERENCE TO THE SUNWAY MARKETING AND COMPENATION PLAN

Distributors must adhere to the terms of the Sunway Marketing and Compensation Plan as set forth in Official Sunway Materials. Distributors shall not offer the Sunway opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically stated in Official Sunway Materials. Distributors shall not require or encourage other current or prospective customers or distributors to participate in Sunway in any manner that varies from the program as set forth in Official Sunway Materials. Distributors shall not require or encourage other current or prospective customers or distributors to execute any agreement or contract other than official Sunway agreements and contracts in order to become a Sunway distributor. Similarly, distributors shall not require or encourage other current or prospective customers or distributors to make any purchase from, or payment to, any individual or other entity to participate in the Sunway Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in Official Sunway Materials.

3.2. ADVERTISING

All distributors shall safeguard and promote the good reputation of Sunway and its products. The marketing and promotion of Sunway, the Sunway opportunity, the Marketing and Compensation Plan, and Sunway products and services shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. Sunway specifically prohibits the use of mass unsolicited telephone autodialing, faxing, e-mail (“spam”), and



“boiler-room” telemarketing operations.

To promote both the products and the opportunity Sunway offers, distributors must use the sales aids and support materials produced by Sunway. If Sunway distributors develop their own sales aids and promotional materials (which includes Internet advertising), notwithstanding distributors’ good intentions, they may unintentionally violate any number of statutes or regulations affecting a Sunway business. These violations, although they may be relatively few in numbers, could jeopardize the Sunway opportunity for all distributors. Accordingly, distributors must submit all written sales aids, promotional materials, advertisements, websites and other literature to the Company for Company’s approval prior to use. Unless the distributor receives specific written approval to use the material, the request shall be deemed denied.

3.3. PARTICIPATION IN SUNWAY CORPORATE MARKETING EFFORTS

Sunway encourages distributor participation in the Company’s marketing efforts and distributors may submit their marketing ideas to the Company. Likewise, distributors are encouraged to participate in all Company sponsored telephone calls to interact and share ideas with Company leadership as well as other distributors. All submissions to the Company, including those coming by way of verbal participation in Company-sponsored telephone calls, become the property of Sunway. All Company-sponsored telephone calls are copyrighted material owned by Sunway and are intended for distributors’ individual use. Any rebroadcast, reproduction or distribution of this copyrighted material without the express written consent of Sunway is prohibited.

3.4. TELEMARKETING TECHNIQUES

The use of any automated telephone solicitation equipment or “boiler-room” telemarketing operations in connection with the marketing or promotion of Sunway, its products or the opportunity, is prohibited.

3.5. TRADEMARKS AND COPYRIGHTS

The name of Sunway and other names as may be adopted by Sunway are proprietary trade names, trademarks and service marks of Sunway. As such, these marks are of great value to Sunway and are supplied to distributors for their use only in an expressly authorized manner. Use of the Sunway name or any form thereof, including their use as or within Internet domain names, on any item not produced by the Company is prohibited except as follows:



Distributor's Name

Independent Sunway Biotech™ Distributor

If a distributor uses the name Sunway and/or any of Sunway's products in his or her advertising, the distributor must identify the mark as the property of Sunway Biotech International, LLC. All distributors may list themselves as an "Independent Sunway Distributor" in the white or yellow pages of the telephone directory under their own name. No distributor may place telephone directory display ads using Sunway's name or logo. Distributors may not answer the telephone by saying "Sunway", "Sunway Biotech", or in any other manner that would lead the caller to believe that he or she has reached Corporate Offices of Sunway. Distributors may not produce for sale, or any other purpose, any recorded Company events and speeches without written permission from Sunway; nor may distributors reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

In accordance with a distributor's strict adherence to the foregoing instruction on the use of Sunway's trademarks, Sunway grants to each distributor so adhering, a nonexclusive license to use said marks. Said license may be revoked at any time at the discretion of Sunway.

3.6. MEDIA AND MEDIA INQUIRIES

Distributors must not attempt to respond to media inquiries regarding Sunway, its products or services, or their independent Sunway business. All inquiries by any type of media must be immediately referred to Sunway's Corporate Offices.

3.7. BUSINESS ENTITIES

A corporation, partnership or trust (collectively referred to in this section as a "Business Entity") may apply to be a Sunway distributor by submitting a Sunway Business Entity Information Form along with its Certificate of Incorporation, Articles of Organization, Partnership Agreement or trust documents (these documents are collectively referred to as the "Entity Documents") to Sunway. A Sunway business may change its status under the same Sponsor from an individual to a partnership, corporation or trust or from one type of entity to another. To do so, the distributor(s) must provide the Entity Documents to Sunway. The Distributor Application must be signed by all of the shareholders, partners or trustees. Members of the entity are jointly and severally liable for any indebtedness or other obligation to Sunway.



3.8. CHANGES TO THE SUNWAY BUSINESS

Distributors must immediately notify Sunway of all changes to the information contained on his or her Distributor Agreement. Distributors may modify their existing Distributor Agreement (i.e., change Social Security Number to Federal Tax Identification Number, or change the form of ownership from an individual proprietorship to a Business Entity owned by the distributor) by submitting a written request, a properly executed Distributor Agreement, and appropriate supporting documentation. Each business will receive a separate IRS Form 1099.

3.9. ADDITION OF CO-APPLICANTS

When adding a co-applicant (either an individual or a business entity) to an existing Sunway business, the Company requires a written request as well as a properly completed Distributor Agreement containing the applicant's and co-applicant's Social Security Numbers or Federal Tax Identification Numbers and signatures. To prevent the circumvention of the "Sale, Transfer or Assignment of Sunway Business" section (regarding transfers and assignments of Sunway business), the original applicant must remain as a party to the original Distributor Agreement. If the original distributor wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with the "Sale, Transfer or Assignment of Sunway Business" section of these Policies. If this process is not followed, the business shall be cancelled upon the withdrawal of the original distributor. All bonus and commission checks will be sent to the address of record of the original distributor. Please note that the modifications permitted within the scope of this paragraph do not include a change of sponsorship. Changes of sponsorship are addressed in "Change of Sponsor" section of these Policies and Procedures.

There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Distributor Agreement. Sunway may, at its discretion, require notarized documents before implementing any changes to a Sunway business. Please allow thirty (30) days after the receipt of the request by Sunway for processing.

3.10. CHANGE OF SPNSOR

The transfer of a Sunway business from one Sponsor to another is rarely permitted. Requests for change of sponsorship must be submitted in writing to Sunway's



Corporate Offices, and must include the reason for the transfer. Transfers will only be considered in the following three (3) circumstances:

- Within ten (10) days without cause.
- In cases involving fraudulent inducement or unethical sponsoring, a distributor may request that he or she be transferred to another organization with his or her entire Marketing Organization intact. All requests for transfer alleging fraudulent enrollment practices shall be evaluated on a case by case basis, and must be submitted to the Company in writing within sixty (60) days from the enrollment date. The request must include a detailed description of why the distributor believes his or her enrollment was fraudulently induced.
- The distributor seeking to transfer submits a properly completed and fully executed Sponsorship Transfer Form which includes the written approval of all parties whose income will be immediately affected by the transfer. Photocopied or facsimile signatures are not acceptable. All distributor signatures must be notarized. The distributor who requests the transfer must submit a fee of \$50.00 for administrative charges and data processing. Transferring distributors must allow thirty (30) days after the receipt of the Sponsorship Transfer Forms by Sunway for processing and verifying change requests. A transferring distributor's downline shall remain in the original genealogy and shall not be moved with the transferring distributor; however, Sunway reserves the right to make Downline genealogy changes at its discretion for reasonable business purposes.

3.11. CANCELLATION AND RE-APPLICATION

A distributor may legitimately change organizations by voluntarily canceling his or her Sunway business and remaining inactive (i.e., no purchases of Sunway products for resale, no sales of Sunway products, no sponsoring, no attendance at any Sunway functions, participation in any other form of distributor activity, or operation of any other Sunway business) for six (6) full calendar months. Following the six-month period of inactivity, the former distributor may reapply under a new Sponsor.

3.12. INDEMNIFICATION FOR UNAUTHORIZED CLAIMS AND ACTIONS

A distributor is fully responsible for all of his or her verbal and/or written statements made regarding Sunway products, services, and the Marketing and Compensation Plan which are not expressly contained in Official Sunway Materials. Distributors agree to indemnify Sunway and hold it harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs or lost business incurred by Sunway



as a result of the distributor's unauthorized representations or actions. This provision shall survive the cancellation of a distributor's Distributor Agreement.

3.13. PRODUCT CLAIMS

No claims as to any products offered by Sunway may be made except those contained in Official Sunway Materials. In particular, no distributor may make any claim that Sunway products are useful in any manner, other than those claims that are printed on or with literature that accompanies the product.

3.14. INCOME CLAIMS

In their enthusiasm to enroll prospective distributors, some distributors are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new distributors may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At Sunway, we firmly believe that the Sunway income potential is great enough to be highly attractive, without reporting the earnings of others.

While distributors may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact Sunway well as the distributor making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because Sunway distributors may not have the data necessary to comply with the legal requirements for making income claims, a distributor, when presenting or discussing the Sunway opportunity or Marketing and Compensation Plan to a prospective distributor, may not make income projections, income claims or disclose his or her Sunway income (including the showing of checks, copies of checks or bank statements).

3.15. COMMERCIAL OUTLETS

Sunway strongly encourages the retailing and selling of its products and services through person to person contact. However, the Company recognizes that some distributors may find that selling products from small retail outlets may be beneficial. Therefore, distributors may sell Sunway products in small, individually owned retail outlets. Sunway products may not be sold in department stores, chain or franchised retail outlets, mass merchandising outlets, or any retail location with two thousand



(2,000) square feet or more of retail space. Distributors must obtain written authorization from Sunway prior to selling any Sunway products in a retail outlet, and Sunway retains the discretion to restrict its products from being sold in any retail location which it does not deem acceptable.

3.16. TREDE SHOWS, EXPOSITIONS AND OTHER SALES FORUMS

Distributors may display and/or sell Sunway products at trade shows and professional expositions. Distributors may not display and/or sell Sunway products at swap meets, garage sales, flea markets, farmer's markets or Internet auction sites without the prior written consent of the Company.

3.17. CONFLICTS OF INTEREST / NONSOLICITATION

Sunway distributors are free to participate in other multilevel or network marketing business ventures or marketing opportunities. However, during the term of this Agreement, distributors may not recruit other Sunway distributors or customers for any other multilevel or network marketing business. During the term of this Agreement and, for a period of six (6) months following the cancellation thereof, a distributor or former distributor may not recruit any Sunway distributor or customer for another multilevel marketing business. Because network marketing is often conducted over the telephone and via the Internet through networks of individuals spanning the U.S. and internationally, any narrow geographic limitation on the scope of this non-solicitation policy would render it ineffective. Therefore, this policy shall apply to all countries where Sunway is officially open for business. The term "recruit" means actual or attempted solicitation, enrollment, encouragement or effort to influence in any way, directly or through a third party, a Sunway distributor or customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. If the distributor or former distributor directly or indirectly responds to an inquiry by a Sunway distributor, this also constitutes recruiting.

Distributors may not display Sunway products or services with any other non-Sunway products or services. If operating from a physical retail location, Sunway products or services must be displayed separately from non-Sunway products or services. Distributors may not offer the Sunway opportunity, products or services to prospective or existing customers or distributors in conjunction with any non-Sunway program, opportunity, product or service. Distributors may not offer any non-Sunway opportunity, products or services at any Sunway-related meeting, seminar or convention.



3.18. DOWNLINE ACTIVITY REPORTS

All Downline Activity Reports and the information contained therein are confidential and constitute proprietary business trade secrets information belonging to Sunway. Downline Activity Reports are provided to distributors in strictest confidence and are made available to distributors for the sole purpose of assisting distributors in working with their respective Marketing Organizations in the development of their Sunway business. Distributors should use their Downline Activity Reports to manage, motivate and train their Downline distributors. The distributor and Sunway agree that, but for this agreement of confidentiality and nondisclosure, Sunway would not provide Downline Activity Reports to the distributor. Accordingly, distributors shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- Use the information to compete with Sunway or for any purpose other than promoting his or her Sunway business; recruit or solicit any distributor or customer of Sunway listed on any report, or in any manner attempt to influence or induce any distributor or customer of Sunway, to alter their business relationship with Sunway;
- Use or disclose to any person, partnership, association, corporation or other entity any information contained in any Downline Activity Report;
- Upon demand by the Company, any current or former distributor will return the original and all copies of Downline Activity Reports to the Company. The provisions of this policy shall survive the termination or cancellation of a distributor's Distributor Agreement with Sunway.

3.19. CROSS-SPONSORING

Actual or attempted cross-group sponsoring is strictly prohibited. "Cross-group sponsoring" is defined as the enrollment, indirect or otherwise, of an individual or entity that already has a current customer number or Distributor Agreement on file with Sunway, or who has had such an agreement within the preceding six (6) calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, Federal Tax Identification Numbers or fictitious identification numbers to circumvent this policy is prohibited. This policy shall not prohibit the transfer of a Sunway business in accordance with the "Sale, Transfer or Assignment of Sunway Business" section of



these Policies and Procedures.

3.20. ERRORS OR QUESTIONS

If a distributor has questions about or believes any errors have been made regarding commissions, bonuses, Downline Activity Reports or charges, the distributor must notify Sunway within sixty (60) days of the date of the purported error or incident in question. Sunway will not be responsible for any errors, omissions or problems not reported within sixty (60) days.

3.21. EXCESS INVENTORY PURCHASES PROHIBITED

Distributors are not required to carry inventory of products or sales aids. Distributors who do so may find making retail sales and building a Marketing Organization somewhat easier because of the decreased response time in fulfilling customer orders or in meeting a new distributor's needs. Each distributor must make his or her own decision with regard to these matters. To ensure that distributors are not encumbered with excess inventory that they are unable to sell, such inventory may be returned to Sunway upon the distributor's cancellation or termination pursuant to the "Return of Inventory and Sales Aids by Distributors" section of these Policies.

Sunway prohibits the purchase of products in unreasonable amounts solely for the purpose of qualifying for commissions, bonuses or advancement in the Marketing and Compensation Plan. Distributors may not purchase more inventory than they can reasonably resell or consume in a month, nor may they encourage others to do so.

3.22. RIGHT OF PUBLICITY

Distributors authorize Sunway to use their name, photograph, personal story and/or likeness in the Company's advertising and/or promotional materials and waive all claims for remuneration for such use.

3.23. GOVERNMENTAL APPROVAL OR ENDORSEMENT

Federal and state regulatory agencies and/or officials do not approve or endorse any direct selling or network marketing companies or programs. Therefore, distributors shall not represent or imply that Sunway or its Marketing and Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.



3.24. INCOME TAXES

Every year, Sunway will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident as required by the Internal Revenue Service.

Each distributor is responsible for paying local, state and federal taxes on any income generated as an independent distributor. If a Sunway business is tax exempt, the Federal Tax Identification Number must be provided to Sunway.

3.25. INDEPENDENT CONTRACTOR STATUS

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

3.26. INTERNATIONAL MARKETING

Because of critical legal and tax considerations, Sunway must limit the resale of Sunway products and services, and the presentation of the Sunway business opportunity to prospective customers and distributors located within the United States and U.S. Territories and other authorized countries. Moreover, allowing a few distributors to conduct business in markets not yet opened by Sunway would violate the concept of affording every distributor the equal opportunity to expand internationally.

Accordingly, distributors are authorized to sell Sunway products and services, and enroll customers or distributors only in the countries in which Sunway is authorized to conduct business, as announced in Official Company Materials. No distributor may sell, give, transfer, import, export or distribute Sunway products or sales aids in any unauthorized country. In addition, no distributor may, in any unauthorized country: (A) conduct sales, enrollment or training meetings; (B) enroll or attempt to enroll potential



customers of distributors; or (C) conduct any other activity for the purpose of selling Sunway products, establishing a Marketing Organization, or promoting the Sunway opportunity.

3.27. ADHERENCE TO LAWS AND ORDINANCES

Many cities and counties have laws regulating certain home-based businesses. In most cases these ordinances are not applicable to distributors because of the nature of their business. However, distributors must obey those laws that do apply to them. If a city or county official tells a distributor that an ordinance applies to him or her, the distributor shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of Sunway. In many cases there are exceptions to the ordinance that apply to Sunway distributors.

3.28. COMPLIANCE WITH LAWS AND ETHICAL STANDARDS

Distributors shall comply with all federal, state and local laws and regulations in the conduct of their businesses. In connection with the operation of a distributor's Sunway business, the violation of any law, or any conduct that is unethical or, in Sunway's sole discretion, may tend to damage its reputation or goodwill, shall be grounds for disciplinary action.

3.29. ONE SUNWAY BUSINESS PER DISTRIBUTOR

A distributor may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one Sunway business. No individual may have, operate or receive compensation from more than one Sunway business. Individuals of the same family unit may each enter into or have an interest in their own separate Sunway businesses, only if each subsequent family position is placed frontline to the first family member enrolled. A "family unit" is defined as spouses and dependent children living at or doing business at the same address.

3.30. ACTIONS OF HOUSEHOLD MEMBERS OR AFFILIATED INDIVIDUALES

If any member of a distributor's immediate household engages in any activity which, if performed by the distributor named on the application, would violate any provision of the Agreement, such activity will be deemed a violation by the distributor and Sunway may take disciplinary action pursuant to these Policies against the named



distributor. Similarly, if any individual associated in any way with a corporation, partnership, trust or other entity (collectively “affiliated individual”) violates the Agreement, such action(s) will be deemed a violation by the entity, and Sunway may take disciplinary action against the entity.

3.31. REPACKAGING AND RE-LABELING PROHIBITED

Distributors may not repackage, re-label, refill or alter the labels on any Sunway products, information, materials or programs in any way. Sunway products must be sold in their original containers only. Such re-labeling or repackaging would likely violate federal and state laws, which could result in severe criminal penalties. You should also be aware that civil liability can arise when, as a consequence of the repackaging or re-labeling of products, the persons using the products suffer any type of injury or their property is damaged.

3.32. REQUESTS FOR ADDITIONAL RECORDS

Any request from a distributor for additional or replacement copies of invoices, applications or other records will require a fee of \$1.00 per page per copy. This fee covers the expense of mailing and time required to research files and make copies of the records.

3.33. ROLL-UP OF MARKETING ORGANIZATION

Upon cancellation of a distributor, all individuals on the first level of the canceling distributor shall move into the vacated position. This shall not affect the status of Enrollers.

3.34. SALE, TRANSFER OR ASSIGNMENT OF SUNWAY BUSINESS

Although a Sunway business is a privately owned, independently operated business, the sale, transfer or assignment of a Sunway business is subject to certain limitations. Unless otherwise agreed to in writing, if a distributor wishes to sell his or her Sunway business, the following criteria must be met:

- The distributor shall offer the Company the right of first refusal to purchase the business on the same terms as it would be offered to any third party. If the Company purchases the business, it is up to the Company’s discretion whether to retain the business or allow a rollup to occur;



- Protection of the existing line of sponsorship must always be maintained so that the Sunway business continues to be operated in that line of sponsorship;
- A buyer or transferee must become a qualified Sunway distributor. If the buyer is an active Sunway distributor, he or she must first terminate his or her Sunway business and remain inactive for six (6) full calendar months before becoming eligible for a purchase, transfer, assignment or acquisition of any interest in the Sunway business;
- Before the sale, transfer or assignment can be finalized and approved by Sunway, any debt obligations the selling distributor has with Sunway must be satisfied;
- The selling distributor must be in good standing and not in violation of any of the terms of the Agreement in order to be eligible to sell, transfer or assign a Sunway business;
- Prior to offering a Sunway business for sale, the selling distributor must notify Sunway's Corporate Offices of his or her intent to sell the Sunway business.

3.35. SEPARATION OF A SUNWAY BUSINESS

Distributors sometimes operate their Sunway businesses as husband-wife partnerships, regular partnerships, corporations or trusts. At such time as a marriage may end in divorce, or a corporation, partnership or trust (the latter three entities are collectively referred to herein as "entities") may dissolve, arrangements must be made to assure that any separation or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other distributors and the Company, Sunway will involuntarily terminate the Distributor Agreement and roll-up their entire Marketing Organization pursuant to the "Roll-Up of Marketing Organization" section of these Policies. During the pendency of a divorce or entity dissolution, the parties must adopt one of the following methods of operation:

- One of the parties may, with written consent of the other(s), operate the Sunway business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize Sunway to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee; or
- The parties may continue to operate the Sunway business jointly, whereupon all compensation paid by Sunway will be paid in the joint names of the distributors or in the name of the entity to be divided as the parties may independently agree between themselves.

If the parties elect neither of the foregoing, Sunway will continue to pay commissions to the same individual(s) to whom commissions were paid prior to the filing of the



divorce or dissolution proceeding.

Under no circumstances will the Marketing Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will Sunway split commission and bonus checks between divorcing spouses or members of dissolving entities. Sunway will recognize only one Marketing Organization and will issue only one commission check per Sunway business per commission cycle. Commission checks shall always be issued to the same individual or entity. In the event that parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the business within six (6) months following the divorce filing or institution of dissolution proceedings, the Distributor Agreement shall be involuntarily canceled. If a former spouse or a former entity affiliate has completely relinquished all rights in his or her original Sunway business, he or she is thereafter free to enroll under any Sponsor of their choosing, and need not wait six (6) months before reapplying.

In the case of business entity dissolution, the party(s) relinquishing their interest in the business must remain completely inactive for six (6) calendar months before they may re-apply under a new Sponsor. In divorce and entity dissolution cases, the relinquishing party(s) shall have no rights to any distributors in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new distributor.

3.36. SPONSORING

All Active Distributors in good standing have the right to sponsor and enroll others into Sunway. Each prospective customer or distributor has the ultimate right to choose his or her own Sponsor. If two distributors claim to be the Sponsor of the same new distributor or customer, the Company shall regard the first application received by the Company as controlling.

3.37. TRANSFER UPON DEATH OF A DISTRIBUTOR

Upon the death of a distributor, his or her business may be passed to his or her heirs. Appropriate legal documentation must be submitted to the Company to ensure the transfer is proper. Accordingly, a distributor should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a Sunway business is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses and commissions of the deceased distributor's



Marketing Organization provided the following qualifications are met. The successor(s) must:

- Execute a Distributor Agreement;
- Provide an original death certificate and a notarized copy of the will or other instrument establishing the successor's right to the Sunway business;
- Comply with terms and provisions of the Agreement;
- Meet all of the qualifications for the deceased distributor's status;
- Form a business entity and acquire a Federal Tax Identification Number, if the business is bequeathed to or inherited by joint heirs. Sunway will issue all bonus and commission checks and one IRS Form 1099 to the business entity. The heirs must provide Sunway with an address of record to which all bonus and commission checks will be sent.

3.38. TRANSFER UPON INCAPACITATION OF A DISTRIBUTOR

To affect a transfer of a Sunway business because of a distributor's incapacity, the successor must provide the following to Sunway: (1) a notarized copy of an appointment as trustee; (2) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the Sunway business; and (3) a completed Distributor Agreement executed by the trustee. The trustee must then:

- Execute a Distributor Agreement;
- Comply with terms and provisions of the Agreement;
- Meet all of the qualifications for the incapacitated distributor's status.

4. RESPONSIBILITIES OF DISTRIBUTORS

4.1. CHANGE OF ADDRESS OR TELEPHONE

To ensure timely delivery of products, support materials and commission checks, it is critically important that Sunway's files are current. Street addresses are required for shipping since UPS cannot deliver to a post office box. Distributors planning to move should send their new address and telephone number to Sunway's Corporate Offices to the attention of the Distributors Services Department. To guarantee proper delivery, two (2) weeks advance notice must be provided to Sunway on all changes.

4.2. CONTINUING DEVELOPMENT OBLIGATIONS AND ONGOING TRAINING



Any distributor who is the Sponsor or Enroller of another distributor must perform a bona fide supervisory function to ensure that his or her Downline is properly operating his or her Sunway business. Distributors must have ongoing contact, communication and management supervision with the distributors in their Marketing Organizations. Examples of such contact and supervision may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of Downline distributors to Sunway meetings, training sessions, and other functions. Upline distributors are also responsible to motivate and train new distributors in Sunway product knowledge, effective sales techniques, the Sunway Marketing and Compensation Plan, and compliance with Company Policies.

4.3. INCREASED TRAINING RESPONSIBILITIES

As distributors progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the Sunway program. They will be called upon to share this knowledge with lesser experienced distributors within their Marketing Organization.

4.4. ONGOING SALES RESPONSIBILITIES

Regardless of their level of achievement, distributors have an ongoing obligation to continue to personally promote sales through the generation of new customers and through servicing their existing customers.

4.5. NONDISPARAGEMENT

Sunway wants to provide its independent distributors with superior products, compensation plan and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to Sunway's Distributor Services Department. While Sunway welcomes constructive input, negative comments and remarks made by distributors about the Company, its products or compensation plan serve no purpose other than to sour the enthusiasm of other Sunway distributors. For this reason, and to set the proper example for their Downline Organization, distributors must not disparage, demean or make negative remarks about Sunway, other Sunway distributors, Sunway's products, the Marketing and Compensation Plan, or Sunway's directors, officers or employees.



4.6. PROVIDING DOCUMENTATION TO APPLICANTS

Distributors must provide the most current version of the Policies and the Marketing and Compensation Plan to individuals whom they are sponsoring to become distributors before the applicant signs a Distributor Agreement. Additional copies of the Policies can be acquired from Sunway.

4.7. REPORTING POLICY VIOLATIONS

Distributors observing a violation of the Policies by another distributor should submit a written report of the violation directly to the attention of the Sunway Compliance Department. Details of the incident such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

5. SALES REQUIREMENTS

5.1. PRODUCT SALES

The Sunway Marketing and Compensation Plan is based upon the sale of Sunway products and services to end consumers. Distributors must fulfill personal and Marketing Organization retail sales requirements (as well as meet other responsibilities set forth in the Agreement) to be eligible for bonuses, commissions and advancement to higher levels of achievement.

5.2. NO PRICE OR TERRITORY RESTRICTIONS

Distributors may sell Sunway products at any price they choose. There are no exclusive territories granted to anyone. No franchise fees are required. Any distributor who advertises and/or offers to sell Sunway brand products at a price less than the wholesale price (“wholesale price” being defined as the amount of a single container of product designated in the Sunway Product Price List as published and modified from time to time) will be terminated, without any cure period.

5.3. SALES RECEIPTS

If a distributor sells any Sunway product from his or her inventory, he or she must give the customer a copy of a Sunway retail sales receipt at the time of the sale. Distributors must maintain all retail sales receipts for a period of two (2) years and furnish them to Sunway at the Company’s request. Records documenting the



purchases of Distributors' Preferred Customers will be maintained by Sunway.

6. BONUSSES AND COMMISSIONS

6.1. BONUS AND COMMISSION QUALIFICATIONS

A distributor must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a distributor complies with the terms of the Agreement, Sunway shall pay commissions to such distributor in accordance with the Marketing and Compensation Plan. The minimum amount for which Sunway will issue a check is determined by the Company. If a distributor's bonuses and commissions do not equal or exceed the minimum amount, the Company will accrue the commissions and bonuses until they reach the minimum amount. A check will be issued once this amount has been accrued.

6.2. ADJUSTMENT TO BONUSSES AND COMMISSION FOR RETURNED PRODUCTS AND SERVICES

Distributors receive bonuses and commissions based on the actual sales of products to end consumers. When a product is returned to Sunway for a refund or is repurchased by the Company, the bonuses and commissions attributable to the returned or repurchased product(s) will be deducted, in the month in which the refund is given or will be withheld from any bonus, commission or other amount owed by the Company. Deductions will continue every pay period thereafter until the commission is recovered from the distributors who received bonuses and commissions on the sales of the refunded goods.

6.3. UNCLAIMES COMMISSIONS AND CREDITS

Distributors must deposit or cash commission and bonus checks within six (6) months from their date of issuance. A check that remains un-cashed after six (6) months will be void. After a check has been voided, Sunway will credit the distributor's account. There shall be a \$15.00 charge for such a transaction; plus a \$10.00 monthly maintenance fee. Any other issued credit (other than a voided check) that remains unused after six (6) months will incur a \$10.00 monthly maintenance fee.

7. PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE



7.1. PRODUCT GUARANTEE

Sunway offers a one hundred percent (100%) 30-day money back satisfaction guarantee (less shipping charges) to all retail customers. If a customer purchased a product from a Sunway distributor, the customer must return the product to that distributor for a refund, replacement or exchange. If a customer purchased the product directly from the Company, the product should be returned directly to the Company.

If a distributor is unsatisfied with any Sunway product purchased for personal use, the distributor may return the product within thirty (30) days from the date of purchase for a one hundred percent (100%) refund, a replacement or exchange (less shipping charges). This guarantee is limited to \$300 in any 12-month period. If a distributor wishes to return merchandise exceeding \$300 in any 12-month period, the return will be deemed an inventory repurchase and the Company shall repurchase the inventory pursuant to the terms in the “Return of Inventory and Sales Aids by Distributors” section of these Policies, and the distributor’s Distributor Agreement shall be canceled.

7.2. RETURN BY DISTRIBUTORS (PRODUCTS RETURNED BY PERSONAL RETAIL CUSTOMERS)

If a personal retail customer returns a product to the distributor from whom it was purchased, the distributor may return it to the Company for an exchange or replacement (the distributor returning the product is responsible for all shipping charges).

7.3. RETURN OF INVENTORY AND SALES AIDS BY DISTRIBUTORS

Upon cancellation of a distributor’s Distributor Agreement, the distributor may return inventory and sales aids purchased within one (1) year from the date of cancellation for a refund if he or she is unable to sell or use the merchandise. A distributor may only return products and sales aids he or she personally purchased from the Company under his or her Distributor Identification Number, and which are in Resalable condition. Upon receipt of the products and sales aids, the distributor will be reimbursed fifty percent (50%) of the net cost of the original purchase price(s), less shipping charges. If the purchases were made through a credit card, the refund will be credited back to the same account. The Company shall deduct from the reimbursement paid to the distributor any commissions, bonuses, rebates or other incentives received by the distributor which were associated with the merchandise that is returned.



7.4. PROCEDURES FOR ALL RETURNS

The following procedures apply to all returns for refund, repurchase or exchange:

- All merchandise must be returned by the distributor or customer who purchased it directly from Sunway.
- All products to be returned must have a Return Authorization Number which will be obtained by calling the Distributor Services Department. This Return Authorization Number must be written on each carton returned. The return must be accompanied by:
 - A copy of the original dated retail sales receipt (if product was returned to the distributor by a retail customer); and
 - The unused portion of the product in its original container.

Proper shipping carton(s) and packing materials are to be used in packaging the product(s) being returned for replacement. All returns must be shipped to Sunway shipping pre-paid.

Sunway does not accept shipping-collect packages. The risk of loss in shipping for returned product shall be on the distributor. It is the sole responsibility of the distributor to trace, insure or otherwise confirm that the Company has received the shipment.

If a distributor is returning merchandise to Sunway that was returned to him or her by a personal retail customer, the product must be received by Sunway within ten (10) days from the date on which the retail customer returned the merchandise to the distributor, and must be accompanied by the sales receipt the distributor gave to the customer at the time of the sale. No refund or replacement of product will be made if the conditions of these rules are not met.

8. DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

8.1. DISCIPLINARY SANCTIONS

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

- Issuance of a written warning or admonition;
- Requiring the distributor to take immediate corrective measures;
- Loss of privileges, including but not limited to loss of voicemail privileges;



- Loss of rights to one or more bonus and commission checks;
- Sunway may withhold from a distributor all or part of the distributor's bonuses and commissions during the period that Sunway is investigating any conduct allegedly violative of the Agreement. If a distributor's business is canceled for disciplinary reasons, the distributor will not be entitled to recover any commissions withheld during the investigation period;
- Suspension of the individual's Distributor Agreement for one or more pay periods;
- Involuntary cancellation of the offender's Distributor Agreement;
- Any other measure expressly allowed within any provision of the Agreement or which Sunway deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the distributor's Policy violation or contractual breach; and/or
- In situations deemed appropriate by Sunway, the Company may institute legal proceedings for monetary and/or equitable relief.

8.2. GRIEVANCES AND COMPLAINTS

When a distributor has a grievance or complaint with another distributor regarding any practice or conduct in relationship to their respective Sunway businesses, the complaining distributor should report, in writing, to the Compliance Department at the Company.

8.3. APPEALS OF SANCTIONS

Following the issuance of a sanction (other than a suspension pending an investigation), the disciplined distributor may appeal the sanction to the Company. The distributor's appeal must be in writing and received by Sunway's Compliance Department within fifteen (15) days from the date of Sunway's sanction notice. If the appeal is not received by Sunway within the fifteen (15) day period, the sanction will be final. The distributor must submit all supporting documentation with his or her appeal correspondence and specify in full detail the reasons why he or she believes the Company's initial determination was erroneous. If the distributor files a timely appeal of the sanction, the Company will review and reconsider the cancellation, consider any other appropriate action and notify the distributor in writing of its decision.

8.4. ARBITRATION

Any legal cause of action arising out of or relating to the Agreement, or the breach thereof shall be settled by arbitration administered by the American Arbitration



Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Distributors waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in San Bernardino County, California, unless the laws of the state in which a distributor resides expressly require the application of its laws, in which case the arbitration shall be held in the capital city of that state. All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a strong preference being an attorney knowledgeable in the direct selling industry, selected from the panel that the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

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

8.5. GOVERNING LAW, JURISDICTION AND VENUE

Jurisdiction and venue of any matter not subject to arbitration shall reside in San Bernardino County, State of California, unless the laws of the state in which a distributor resides expressly require the application of its laws, in which case that state's law shall govern all issues relating to jurisdiction and venue. The Federal Arbitration Act shall govern all matters relating to arbitration. The laws of the State of California shall govern all other matters relating to or arising from the Agreement unless the laws of the state in which a distributor resides expressly require the application of its laws.

9. ORDERING

9.1. PURCHASING SUNWAY PRODUCTS

Each distributor should purchase his or her products directly from Sunway. If a



distributor purchases products from another distributor or any other source, the purchasing distributor will not receive the BV Volume associated with that purchase. Purchases made from authorized D/Storage Centers are accepted from this policy.

9.2. GENERAL ORDER POLICIES

On mail orders with invalid or incorrect payment, Sunway will attempt to contact the distributor by phone, and/or mail to try to obtain another payment. If these attempts are unsuccessful after five (5) working days, the order will be returned unprocessed. No C.O.D. orders will be accepted. Sunway maintains no minimum order requirements. Orders for products and sales aids may be combined.

9.3. SHIPPING AND BACKORDER POLICY

Sunway will normally ship products within three (3) day from the date on which it receives an order. Sunway will expeditiously ship any part of an order currently in stock. If, however, an ordered item is out-of-stock, it will be placed on backorder and sent when Sunway receives additional inventory. Distributors will be charged and given BV Volume on backordered items unless notified on the invoice that the product has been discontinued. Sunway will notify distributors and customers if items are backordered and are not expected to ship within thirty (30) days from the date of the order. An estimated shipping date will also be provided. Backordered items may be canceled upon a distributor's request. Distributors may request a refund, credit on account, or replacement merchandise for canceled backorders. If a refund is requested, the distributor's BV Volume will be decreased by the amount of the refund in the month and bonuses withheld in a subsequent month in which the refund is issued.

9.4. CONFIRMATION OF ORDER

A distributor and/or recipient of an order must confirm that the product received matches the product listed on the shipping invoice, and is free of damage. Failure to notify Sunway of any shipping discrepancy or damage within thirty (30) days of shipment will cancel a distributor's right to request a correction.

9.5. PAYMENT AND SHIPPING DEPOSETS

No monies should be paid to or accepted by a distributor for a sale to a personal retail customer except at the time of product delivery. Distributors should not accept monies from retail customers to be held for deposit in anticipation of future deliveries.



9.6. INSUFFICIENT FUNDS

It is the responsibility of each distributor to ensure that there are sufficient funds or credit available in his or her account to cover the monthly Autoship order. Sunway is not required to contact distributors in regard to orders canceled due to insufficient funds or credit. This may result in a distributor's failure to meet his or her BV Volume requirements for the month.

9.7. RETURNED CHECKS

All checks returned by a distributor's bank for insufficient funds will be re-submitted for payment. A \$25.00 returned check fee will be charged to the account of the distributor. After receiving a returned check from a customer or a distributor, all future orders must be paid by credit card, money order or cashier's check. Any outstanding balance owed to Sunway by a distributor for NSF checks and returned check fees may be withheld from subsequent bonus and commission checks or collected in any other manner deemed appropriate by Sunway. Reinstatement of payment by check shall be at the discretion of Sunway.

9.8. RESTRICTIONS ON THIRD PARTY USE OF CREDIT CARDS AND CHECKING ACCOUNT ACCESS

Distributors shall not permit other distributors or customers to use his or her credit card, or permit debits to their checking accounts, to enroll or to make purchases from the Company.

9.9. SALES TAXES

By virtue of its business operations, Sunway is required to charge sales taxes on all purchases made by distributors and customers, and remit the taxes charged to the respective states. Accordingly, Sunway will collect and remit sales taxes on behalf of distributors, based on the suggested retail price of the products, according to applicable tax rates in the state to which the shipment is destined. If a distributor has submitted, and Sunway has accepted, a current Sales Tax Exemption Certificate and Sales Tax Registration License, sales taxes will not be added to the invoice and the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be that of the distributor. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers



have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by Sunway is not retroactive.

10. INACTIVITY AND CANCELLATION / TERMINATION

10.1. EFFECT OF CANCELLATION AND TERMINATION

So long as a distributor remains active and complies with the terms of the Distributor Agreement and these Policies, Sunway shall pay commissions to such distributor in accordance with the Marketing and Compensation Plan. A distributor's bonuses and commissions constitute the entire consideration for the distributor's efforts in generating sales and all activities related to generating sales (including, but not limited to, building a Marketing Organization). Following a distributor's non-renewal of his or her Distributor Agreement, cancellation for inactivity, or voluntary or involuntary cancellation (termination) of his or her Distributor Agreement (all of these methods are collectively referred to as "Cancellation"), the former distributor shall have no right, title, claim or interest to the Downline Marketing Organization which he or she operated, or any commission or bonus from the sales generated by the Marketing Organization. Distributors waive any and all rights, including, but not limited to, property rights, in the Marketing Organization which they may have had. Following a distributor's cancellation of his or her Distributor Agreement, the former distributor shall not hold him or herself out as a Sunway distributor and shall not have the right to sell Sunway products or services. A distributor whose Distributor Agreement is cancelled shall receive commissions and bonuses only for the last full pay period he or she worked prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

10.2. CANCELLATION DUE TO INACTIVITY

It is the distributor's responsibility to lead his or her Marketing Organization with the proper example in personal production of sales to end consumers. Without this proper example and leadership, the distributor will lose his or her right to receive commissions from sales generated through his or her Marketing Organization. Therefore, distributors who personally produce less than the required BV Volume as specified in the Sunway Marketing and Compensation Plan for any pay period will not receive a commission for the sales generated through their Marketing Organization for that pay period. If a distributor has not fulfilled his or her personal sales requirements for a period of six (6) consecutive calendar months (and thus becomes "inactive"), his



or her Distributor Agreement shall be canceled for inactivity on the day following the last day of the sixth month of inactivity. Written confirmation of the cancellation will not be provided by Sunway.

10.3. INVOLUNTARY CANCELLATION (TERMINATION)

A distributor's violation of any of the terms of the Agreement, including any amendments that may be made by Sunway in its sole discretion, may result in any of the sanctions listed in the Agreement, including, but not limited to, the involuntary cancellation of his or her Distributor Agreement. Cancellation shall be effective on the date on which written notice is mailed, faxed or delivered to an express courier, addressed to the distributor's last known address or that of his or her attorney, or when the distributor receives actual notice of cancellation, whichever occurs first. Sunway reserves the right to withhold and/or permanently retain funds and prevent any roll-up depending on the individual circumstances surrounding each case.

10.4. VALUNTARY CANCELLATION

A participant in this multilevel marketing plan has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the distributor's signature, printed name, address and Distributor Identification Number. If a canceling distributor is also on the Autoship program, his or her Autoship will also be canceled. If he or she wishes to remain an Autoship customer, he or she must contact Sunway's Distributor Services Department to establish a customer account.

10.5. NON-RENEWAL

A distributor may also voluntarily cancel his or her Distributor Agreement by failing to renew the Agreement on its anniversary date.

DEFINITIONS

Sunway

The term "Sunway" as it is used throughout the Agreement means Sunway Biotech International, LLC.

ACTIVE DISTRIBUTOR

A distributor who satisfies the minimum BV Volume requirements, as set forth in the



Sunway Marketing and Compensation Plan, to ensure that a Distributor Agreement remains in force.

AGREEMENT

The contract between the Company and each distributor includes the Distributor Agreement, the Sunway Policies and Procedures, and the Sunway Marketing and Compensation Plan, all in their current form and as amended by Sunway in its sole discretion. These documents are collectively referred to as the “Agreement.”

AUTOSHIP DISTRIBUTOR

A distributor who has executed a Sunway distributor Agreement and who agrees to purchase a specified package of Sunway products and services each four weeks.

COMMISSIONABLE PRODUCTS/SERVICES

All Sunway products and services on which commissions and bonuses are paid. Distributor Kits and sales aids are not commissionable products.

COMPANY

The term “Company” as it is used throughout the Agreement means Sunway Biotech International, LLC.

DOWNLINE

See “Marketing Organization.”

DOWNLINE ACTIVITY REPORT

A monthly report generated by Sunway that provides critical data relating to the identities of distributors, sales information and enrollment activity of each distributor’s Marketing Organization. This report contains confidential and trade secret information which is proprietary to Sunway.

ENROLLER

A distributor who personally recruits another distributor and places the new distributor in his or her Downline. The Enroller of a new distributor may also be the new distributor’s Sponsor.

BV POINT VOLUME

The commissionable value of Sunway products generated by a distributor’s Marketing Organization. BV Point Volume includes the BV Volume of the subject distributor. (Distributor Kits and sales aids have no BV Volume.)



IMMEDIATE HOUSEHOLD

Heads of household and dependent family members residing in the same house.

LEVEL

The layers of downline customers and distributors in a particular distributor's Marketing Organization. This term refers to the relationship of a distributor relative to a particular upline distributor, determined by the number of distributors between them who are related by sponsorship. For example, if A sponsors B, who sponsors C, who sponsors D, who sponsors E, then E is on A's fourth level.

BV

Every commissionable Sunway product is assigned a point value. Distributor commissions are based on the total point value of products sold by each distributor and his or her Marketing Organization.

LINE

Also called leg. A part of your Downline that starts with someone sponsored by you and continues below that sponsorship.

MARKETING ORGANIZATION

Customers and distributors below a particular distributor.

OFFICIAL SUNWAY MATERIALS

Literature, audio or video tapes, and other materials developed, printed, published and/or distributed by Sunway to distributors.

BV VOLUME

The commissionable value of services and products sold in a volume period: (1) by the Company to a distributor; and (2) by the Company to the distributors personally enrolled direct and Autoship customers.

QUALIFIED RANK

The term "Qualified Rank" refers the current rank of a distributor, as determined by the Sunway Marketing and Compensation Plan, for any volume period. To be considered "Qualified" relative to a particular rank, a distributor must meet the criteria set forth in the Sunway Marketing and Compensation Plan for his or her respective rank.



Sunway Biotech INTERNATIONAL, LLC.

RESALABLE

Products and sales aids are “Resalable” if each of the following elements are satisfied: (1) they are unopened and unused; (2) packaging and labeling has not been altered or damaged; (3) the product and packaging are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; (4) products are returned to Sunway within one (1) year from the date of purchase; and (5) the product expiration date has not elapsed. Any merchandise that was identified at the time of sale as non-returnable discontinued, or as a seasonal item, shall not be resalable.

SPONSOR

The distributor who is your direct upline. The Sponsor of a new distributor may also be the new distributor’s Enroller.