

Policies and Procedures

POLICIES AND PROCEDURES

1.0 INTRODUCTION

1.1 Mutual Commitment Statement

Social Outbreak Corp. (Social Outbreak) recognizes that in order to develop a long-term and mutually rewarding relationship with its Independent Business Owners (IBOs) and Customers, Social Outbreak and the IBOs must acknowledge and respect the true nature of the relationship, not only in legal terms, but in spirit and essence.

Social Outbreak recognizes that without happy, loyal, and successful IBOs, Social Outbreak could not exist for very long. Likewise, without a well-run and profitable Company, the Independent Business Owners would not have a solid long-term business opportunity.

- A. In the spirit of mutual respect and understanding, Social Outbreak is committed to:
- I. Provide prompt, professional and courteous service and communications to all of its IBOs and customers;
 - II. Provide the highest quality products, at fair and reasonable prices;
 - III. Refund any enrollment fees as provided in our *Return Policy- Section 6.0*;
 - IV. Deliver orders promptly and accurately;
 - V. Pay commissions accurately and on a timely basis;
 - VI. Expedite checks if an error or unreasonable delay occurs;
 - VII. Roll out new products and programs with IBO input and planning;
 - VIII. Implement changes in the Compensation Plan or Policies and Procedures that affect the IBO with input from the IBOs;
 - IX. Support, protect and defend the integrity of the Social Outbreak Business Opportunity;
 - X. Offer IBOs an opportunity to grow with Social Outbreak with such growth guided by the principles of Servant Leadership.
- B. In return, Social Outbreak expects that its IBOs will:
- I. Conduct themselves in a professional, honest, and considerate manner;
 - II. Present Social Outbreak corporate and product information in an accurate and professional manner;

- III. Present the Compensation Plan and Return Policy in a complete and accurate manner;
- IV. Not make exaggerated income claims;
- V. Make reasonable efforts to support and train their customers and IBOs in their downline;
- VI. Not engage in cross-line recruiting, unhealthy competition or unethical business practices;
- VII. Provide positive guidance and training to IBOs and Customers in their downline while exercising caution to avoid interference with other downlines. As such, an IBO is discouraged from providing cross-line training to an IBO or customer in a different organization without first obtaining consent of the IBO's or customer's upline leader.
- X. Support, protect, and defend the integrity of the Social Outbreak Business Opportunity.
- XI. Accurately complete and submit the IBO agreement and any requested supporting documentation in a timely manner.
- XII. Embrace and practice the principles of Servant Leadership in their relationships with customers and other IBOs and Social Outbreak.
http://en.wikipedia.org/wiki/Servant_leadership

1.2 Social Outbreak Policies and Compensation Plan Incorporated into the IBO agreement

- A. Throughout these Policies, when the term "Agreement" is used, it collectively refers to the Social Outbreak-IBO agreement, these Policies and Procedures, and the Social Outbreak Compensation Plan.
- B. It is the responsibility of the sponsoring IBO to provide the most current version of these Policies and Procedures (available on the Social Outbreak Web site) and the Social Outbreak Compensation Plan to each applicant prior to his or her execution of an IBO agreement.

1.3 Purpose of Policies

- A. Social Outbreak is a direct sales company that markets products and services through independent distributors referred to as IBOs. To clearly define the relationship that exists between IBOs and Social Outbreak, and to explicitly set a standard for acceptable business conduct, Social Outbreak has established these Policies and Procedures.
- B. Social Outbreak IBOs are required to comply with (1) all of the Terms and Conditions set forth in the IBO Agreement, which Social Outbreak may amend in its sole discretion; (2) all Federal, state, provincial, territorial, and local laws governing his or her Social Outbreak business; and (3) these Policies and Procedures.
- C. Social Outbreak IBOs must review the information in these Policies and Procedures carefully. Should an IBO have any questions regarding a policy, procedure or rule, the IBO is encouraged to seek an answer from his or her sponsor or any other upline IBO. If

further clarification is needed the IBO may contact Social Outbreak customer service department.

1.4 Changes, Amendments, and Modifications

- A. Because federal, state, and local laws, as well as the business environment, periodically change, Social Outbreak reserves the right to amend the Agreement and the prices in its Social Outbreak Product Price List in its sole and absolute discretion. Notification of amendments shall appear in Official Social Outbreak Materials.
- B. Any such amendment, change, or modification shall be effective immediately upon notice by one of the following methods:
 - I. posting on the official Social Outbreak Web site;
 - II. electronic mail (e-mail); or
 - III. In writing through the Social Outbreak newsletters or other Social Outbreak communication channels.

1.5 Delays

Social Outbreak shall not be responsible for delays or failures in performance of its obligations when such failure is due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, transportation difficulties, riot, war, fire, and weather, curtailment of a source of supply, or government decrees or orders.

1.6 Effective Date

These Policies and Procedures shall become effective as of March 1st 2011 and, at such time, shall automatically supersede any prior Policies and Procedures (the "old Policies and Procedures"), and, on that date, the old Policies and Procedures shall cease to have any force or effect.

2.0 BASIC PRINCIPLES

2.1 Becoming an Social Outbreak IBO

- A. To become an IBO, an applicant must comply with the following requirements:
 - I. Be of the age of majority (not a minor) in his or her state/country of residence;
 - II. Reside or have a valid address in the United States, a U.S. territory, Canada or country of residence;
 - III. Have a valid Social Security Number, Federal Tax ID Number, or Taxpayer Identification Number (TIN) for his or her country of legal residence;
 - IV. Submit a properly completed and signed IBO Agreement to Social Outbreak;

2.2 New IBO Registration by Internet, Fax, Mail or Telephone

- A. A potential new IBO may self-enroll on the sponsor's web site using the e-sign procedure. In such event, instead of a physically signed IBO agreement, Social Outbreak will accept the web enrollment and IBO agreement by accepting the "electronic signature" stating the new IBO has accepted the terms and conditions of such IBO agreement. Please note that such electronic signature constitutes a legally binding agreement between the IBO and Social Outbreak.
- B. The new IBO will select a Social Outbreak User Name and Password, which will be used to place orders, structure organizations, and track commissions and bonuses.
- C. The IBO may also enroll using a physical IBO application available for download on the website, and following the instructions on the form.
- D. Social Outbreak reserves the right to require signed paperwork for any account, regardless of origin.
- E. If requested the signed IBO Agreement must be received by Social Outbreak within 14 days of enrollment.
- F. Signed documents, including but not limited to IBO agreements, are legally binding contracts which must not be altered, tampered with or changed in any manner after they have been signed. False or misleading information, forged signatures or alterations to any document, including business registration forms, made after a document has been signed may lead to sanctions, up to and including involuntary termination of the IBO's distributorship.

2.3 Rights Granted

- A. Social Outbreak hereby grants to the IBO a non-exclusive right, based upon the terms and conditions contained in the IBO agreement and these Policies and Procedures, to:
 - I. Purchase Social Outbreak products and services;
 - II. Promote and sell Social Outbreak products and services; and
 - III. Sponsor new IBOs and customers in the United States, Canada, US Territories and in countries where Social Outbreak may become established after the effective date of these Policies and Procedures.

2.4 Personal Identification Numbers

- A. Each IBO is required to provide his or her Social Security Number, or Federal Tax Identification Number, if located in the United States or any of its territories, to Social Outbreak on the IBO agreement. Social Outbreak reserves the right to withhold commission payments from any IBO who fails to provide such information or who provides false information. International IBO's must provide the legal identification number associated with their country of residence, as applicable.
- B. Upon enrollment IBO will use their selected username and password to place orders, structure organizations, and track commissions and bonuses.

2.5 Renewals and Expiration of the IBO Agreement

- A. If the IBO allows his or her IBO agreement to expire due to nonpayment the IBO will lose any and all rights to his or her downline organization unless the IBO re-activates within 60 days following the expiration of the agreement.

- B. If the former IBO re-activates within the 60-day time limit, the IBO will resume the rank and position held immediately prior to the expiration of the IBO agreement. However, such IBO's paid as level will not be restored unless he or she qualifies at that payout level in the new month. The IBO is not eligible to receive commissions for the time period that the IBO's distributorship was expired.
- C. Any IBO whose agreement has expired and lapsed the 60 day grace period is not eligible to re-apply for a Social Outbreak business for 12 months following the expiration of the IBO agreement.
- D. Any IBO terminated by Social Outbreak may not re-apply to do business for 12 months from their termination date and their application acceptance is at the discretion of Social Outbreak Corp.
- E. The downline of the expired IBO will roll up to the immediate, active upline sponsor.

2.6 Business Entities

- A. A corporation, partnership, LLC, or trust (collectively referred to as a "Business Entity") may apply to be a Social Outbreak IBO. This IBO business and position will remain *temporary* until the proper documents are submitted. The entity must submit its Certificate of Incorporation, Articles of Agreement, Partnership Agreement, Operating Agreement, or appropriate trust documents to Social Outbreak, along with a properly completed Business Entity Registration. Social Outbreak must receive these documents within 14 days from the date the IBO agreement was signed.
 - I. The Business Entity Registration form must be signed by all of the shareholders, partners, members or trustees of an entity. Members of the entity are jointly and severally liable for any indebtedness or other obligation to Social Outbreak.
- B. A Social Outbreak IBO may change its status under the same sponsor from an individual to a partnership, LLC, corporation, trust or from one type of business entity to another by notifying Social Outbreak Corp in writing and providing the appropriate paperwork as applicable.
- C. An IBO may make a user name change by placing a request to Social Outbreak on a support ticket.

2.7 Independent Business Relationship; Indemnification for Actions

- A. The Social Outbreak IBO is an independent contractor, and not a purchaser of a franchise or business opportunity. Therefore, each IBO's success depends on his or her independent efforts.
- B. The agreement between Social Outbreak and its IBOs does not create an employer/employee relationship, agency, partnership, or joint venture between Social Outbreak and the IBO.
- C. A Social Outbreak IBO shall not be treated as an employee of Social Outbreak for any purposes, including, without limitation, for Federal, state, or provincial tax purposes or taxes applicable to their country of residence/business. All IBOs are responsible for paying any and all taxes required, personally or as a business, including local, state, provincial, and Federal taxes due from all compensation earned as an IBO of Social

Outbreak. Any other compensation received by IBOs from Social Outbreak will be governed by applicable U.S. or Canadian tax laws (or the tax laws of any other applicable jurisdiction). The IBO has no express or implied authority to bind Social Outbreak to any obligation or to make any commitments by or on behalf of Social Outbreak. Each IBO shall establish his or her own goals, hours, and methods of operation and sale, so long as he or she complies with the terms of the IBO agreement, these Policies and Procedures and applicable State, Federal, and Provincial laws or laws within their country of residence/business.

- D. The Social Outbreak IBO is fully responsible for all of his or her verbal and written communications made regarding Social Outbreak products, services, and the compensation plan that are not expressly contained within official Social Outbreak materials. IBOs shall indemnify and hold harmless Social Outbreak, its directors, officers, employees, and agents from any and against all liability including judgments, civil penalties, refunds, attorney fees and court costs incurred by Social Outbreak as a result of the IBO's unauthorized representations or actions. This Provision shall survive the termination of the Social Outbreak IBO agreement.

2.8 Insurance

- A. Business Pursuits Coverage. Social Outbreak encourages IBOs to arrange insurance coverage for their business. A homeowner's insurance policy does not cover business related injuries, or the theft of, or damage to inventory or business equipment. Social Outbreak IBOs need to contact their insurance agent to make certain their business property is protected. In most instances, this may be accomplished with a "Business Pursuit" endorsement to an existing homeowner's policy.
- B. Product Liability Insurance. Social Outbreak maintains a comprehensive liability insurance policy that protects Social Outbreak and IBOs in the event of a claim, action, or lawsuit resulting from a defect in a Social Outbreak product or service. Social Outbreak IBOs must immediately notify Social Outbreak in writing of any claim, action or lawsuit alleging any kind of injury or damage and naming the IBO or Social Outbreak for which IBO is seeking a defense or indemnification of loss. No coverage is available to any IBO who settles a claim, action or lawsuit without the prior written consent of Social Outbreak and its insurance company. Coverage to an IBO under this liability insurance policy does not extend to activities of the IBO which are determined by Social Outbreak or a competent third-party, jury, judge, mediator or arbitrator to be in violation of the Social Outbreak Policies and Procedures, or acts that are unlawful, unethical, or in any way based on fraud, misrepresentation, or deceit, nor does it cover an IBO's negligence, misconduct or false representation of or false claims with respect to Social Outbreak's products or services. A product or service defect will be determined by Social Outbreak, or a jury, judge, mediator or arbitrator.
- C. Social Outbreak does not disclose the name of its insurance company, policy number, or the amount of liability coverage unless such information is needed for a current or ongoing claim, action or lawsuit that involves Social Outbreak. Social Outbreak insurance policy does not cover IBOs, it only covers Social Outbreak products and services.

2.9 Training

- A. Social Outbreak IBOs shall be eligible to receive training, provided by their upline and Social Outbreak, regarding products and services, business building information, including but not limited to DVDs, videos, CD's, the Social Outbreak web site, training seminars and events sponsored by Social Outbreak or by other organizations, at Social Outbreak's discretion.

2.10 Errors or Questions

- A. If an IBO has questions about, or believes any errors have been made regarding commissions, bonuses, business reports, orders, or charges, the IBO must notify Social Outbreak in writing within 30 days of the date of the error or incident in question. Any such errors, omissions or problems not reported within 30 days shall be deemed waived by the IBO.

3.0 SOCIALOUTBREAK IBO RESPONSIBILITIES

3.1 Correct Addresses

- A. It is the responsibility of the IBO or customer to make sure Social Outbreak has the correct mailing address and email address.
- B. An IBO planning to move needs to update his or her new address, telephone numbers and other pertinent contact information on their Social Outbreak business website.

3.2 Training and Leadership

- A. Any Social Outbreak IBO who sponsors another IBO into Social Outbreak must perform an authentic assistance and training function to ensure his or her downline is properly operating his or her Social Outbreak business. Sponsoring IBOs should have ongoing contact and communication with the IBOs in their downline organizations. Examples of communication may include but are not limited to: newsletters, written correspondence, telephone, contact, team calls, voice-mail, e-mail, personal meetings, accompaniment of downline IBOs to Social Outbreak meetings and training sessions and any other related functions.
- B. A Sponsoring Social Outbreak IBO should monitor the IBOs in his or her downline organizations to ensure that downline IBOs do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, such IBO should be able to provide documented evidence to Social Outbreak of his or her ongoing fulfillment of the responsibilities of a sponsor.
- C. Upline IBOs are encouraged to motivate and train new IBOs about Social Outbreak's products and services, effective sales techniques, the Social Outbreak compensation plan and compliance with company policies and procedures.
- D. As an IBO progresses through the various levels of leadership, he or she may become more experienced in sales techniques, product knowledge and understanding of the Social Outbreak program. With this in mind, he or she will be called upon to share this knowledge with less experienced IBOs within their organizations. Social Outbreak expects IBOs at the highest ranks to exhibit exemplary behavior in their roles as leaders.
- E. Regardless of their level of achievement, IBOs are encouraged to continue to promote sales through the recruitment of new IBOs and customers and through serving their existing organization.
- F. Person-to-person selling is a required activity in Social Outbreak and must be emphasized in all recruiting presentations.
- G. We emphasize and encourage all IBOs to retail Social Outbreak's products and services.

3.3 Constructive Criticism; Ethics

- A. Social Outbreak desires to provide its independent IBOs with the best products and services, Compensation Plan, in the industry. Accordingly, Social Outbreak values constructive criticism and encourages the submission of written comments addressed to Social Outbreak compliance dept.
- B. Negative and disparaging comments about Social Outbreak, its products or Compensation Plan, by IBOs made to Social Outbreak, in the Field or at Social Outbreak meetings or events, or disruptive behavior at Social Outbreak meetings or events, serve no purpose other than to dampen the enthusiasm of other Social Outbreak IBOs. Social Outbreak IBOs must not belittle Social Outbreak, other Social Outbreak IBOs, Social Outbreak products or services, the Compensation Plan, or Social Outbreak directors, officers, or employees. Such conduct represents a material breach of these Policies and Procedures and may be subject to sanctions as deemed appropriate by Social Outbreak.
- C. **Social Outbreak endorses the following code of ethics:**
 - I. A Social Outbreak IBO must show fairness, tolerance, and respect to all people associated with Social Outbreak, regardless of race, gender, social class or religion, thereby fostering an “positive atmosphere” of teamwork, good morale and community spirit.
 - II. An IBO shall strive to resolve business issues, including situations with upline and downline IBOs, by emphasizing tact, sensitivity, good will and taking care not to create additional problems.
 - III. Social Outbreak IBOs must be honest, responsible, professional and conduct themselves with integrity.
 - IV. Social Outbreak IBOs shall not make disparaging statements about Social Outbreak, other IBOs, Social Outbreak employees, products, services, sales and marketing campaigns, or the Compensation Plan, or make statements that unreasonably offend, mislead or coerce others.
- D. Social Outbreak may take appropriate action against an IBO if it determines, in its sole discretion, that an IBO’s conduct is detrimental, disruptive, or injurious to Social Outbreak or to other IBOs.

3.4 Reporting Policy Violation

- A. An IBO who observes a policy violation by another IBO should submit a written and signed letter (e-mail will not be accepted) of the violation directly to the Social Outbreak Corporate office. The letter shall set forth the details of the incident as follows:
 - I. The nature of the violation;
 - II. Specific facts to support the allegations;
 - III. Dates;
 - IV. Number of occurrences;
 - V. Persons involved; and

VI. Supporting documentation

- B. Once the matter has been presented to Social Outbreak, it will be researched thoroughly by the Compliance department and appropriate action will be taken if required.
- C. This section refers to the general reporting of policy violations as observed by other IBOs for the mutual effort to support, protect, and defend the integrity of the Social Outbreak business and opportunity. If an IBO has a grievance or complaint against another IBO which directly relates to his or her Social Outbreak business, the procedures set forth in Section 14.1 (grievances) must be followed.

3.5 Sponsorship

- A. The sponsor is the person who introduces an IBO or customer to Social Outbreak, helps them complete their enrollment, and supports and trains those in their downline.
- B. Social Outbreak recognizes the sponsor as the name(s) shown on the first:
 - I. Physically signed Social Outbreak IBO agreement on file; or
 - II. Electronically signed IBO agreement from a web site or a Social Outbreak IBOs web site.
- C. An IBO agreement that contains notations such as “by phone” or the signatures of other individuals (i.e. Sponsors, Spouses, relatives, or friends) is not valid and will not be accepted by Social Outbreak.
- D. Social Outbreak recognizes that each new prospect has the right to ultimately choose his or her own sponsor, but Social Outbreak will not allow IBOs to engage in unethical sponsoring activities as set forth in Section 12.5.
- E. All active IBOs in good standing have the right to Sponsor and enroll others into Social Outbreak. While engaged in sponsoring activities, it is not uncommon to encounter situations when more than one IBO will approach the same prospect. It is the accepted courtesy that the new prospect will be sponsored by the first IBO who presented a comprehensive introduction to Social Outbreak products or business opportunity.
- F. Social Outbreak prohibits to act of “Stacking.” Stacking is the unauthorized manipulation of the Social Outbreak compensation system and/or the marketing plan in order to trigger commissions or cause a promotion off a downline IBO in an unearned manner. One example of stacking occurs when a sponsor places participants under an inactive downline without his or her knowledge in order to trigger unearned qualification for commissioning. Stacking is unethical and unacceptable behavior, and as such, it is a punishable offense with measures up to and including the termination of the independent consultant positions of all individuals found to be directly involved.
- F. A *Protected Prospect* is a guest of any Social Outbreak IBO or Customer who attended a Social Outbreak event or conference call. For 60 days following the event, a Protected Prospect cannot be solicited or sponsored by any other Social Outbreak IBO who attended the same event. A Social Outbreak event can be defined as the following:
 - I. Any Social Outbreak training session;
 - II. Conference call;

- III. Fly-in meeting; or
 - IV. Presentation, including but not limited to a Social Outbreak at home presentation, whether sponsored by Social Outbreak, an IBO, a Customer, or an agent or agency designated by Social Outbreak.
- G. Speakers. Any IBO who speaks at a Social Outbreak event, whether corporate sponsored or IBO sponsored, is not eligible to become the Sponsor of any guest attending the event for a period of 12 months following the event, unless the speaker personally invited the guest.

3.6 Cross Sponsoring Prohibition

- A. "Cross sponsoring" is defined as the enrollment into a different line of sponsorship of an individual, or business entity that already has a signed IBO Agreement. Actual or attempted cross sponsoring is not allowed. If cross sponsoring is verified by Social Outbreak, sanctions up to and including termination of an IBO's distributorship may be imposed.
- B. The use of a spouse's or relative's name, trade names, assumed names, DBA names, corporation, partnership, trust, Federal ID numbers, or fictitious ID numbers to evade or circumvent this policy is not permitted.
- C. This policy does not prohibit the transfer of a Social Outbreak business in accordance with Social Outbreak Sale or Transfer policy set forth in Section 13.8.

3.7 Adherence to the Social Outbreak Compensation Plan

- A. An IBO must adhere to the terms of the Social Outbreak Compensation Plan as set forth in these Policies and Procedures as well as in official Social Outbreak literature. Deviation from the Compensation Plan is prohibited.
- B. An IBO shall not offer the Social Outbreak opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Social Outbreak literature.
- C. An IBO shall not require or encourage a current or prospective Customer or IBO to participate in Social Outbreak in any manner that varies from the Compensation Plan as set forth in official Social Outbreak literature.
- D. An IBO shall not require or encourage a current or prospective Customer or IBO to make a purchase from or payment to any individual or other entity as a condition to participating in the Social Outbreak Compensation Plan, other than such purchases or payments required to naturally build their business.

3.8 Adherence to Laws and Ordinances

- A. Many cities and counties have laws regulating certain home-based businesses. In most cases, these ordinances do not apply to IBOs because of the nature of the business. However, IBOs must check their local laws and obey the laws that do apply to them.
- B. A Social Outbreak IBO shall comply with all Federal, state, and local laws and regulations in their conduct of his or her Social Outbreak business.

3.9 Compliance with Applicable Income Tax Laws

- A. Social Outbreak will automatically provide a complete 1099 Miscellaneous Income Tax form (nonemployee compensation) to each US IBO whose earnings for the year is at least \$600 or who has purchased more than \$5,000 of Social Outbreak products for resale or who received trips, prizes or awards valued at \$600 or more. If earnings and purchases are less than stated above, IRS forms will be sent only at the request of the IBO, and a minimum charge of \$20 may be assessed by Social Outbreak. Canadian T-4's will be sent to IBOs who earn more than \$500 or who received trips, prizes, or awards valued at \$500 or more. Social Outbreak IBOs are responsible for the payment of taxes on these trips, prizes, or awards provided to them by Social Outbreak.
- B. An IBO accepts sole responsibility for and agrees to pay all Federal, state, provincial and local taxes on any income generated as an independent IBO, and further agrees to indemnify Social Outbreak from any failure to pay such tax amounts when due.
- C. If an IBO's business is tax exempt, the Federal Tax Identification number must be provided to Social Outbreak in writing.
- D. Social Outbreak encourages all IBOs to consult with a tax advisor for additional information for their business.

3.10 Solicitation for Other Companies or Products

- A. A Social Outbreak IBO may participate in other direct sales, multilevel, network marketing or relationship marketing business ventures or marketing opportunities. However, during the term of this Agreement, a Social Outbreak IBO may not recruit any Social Outbreak IBO or customer for any other direct sales or network marketing business, unless that IBO or customer was personally sponsored by such IBO.
- B. The term "recruit" means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way (either directly or through a third party), another IBO or customer to enroll or participate in any direct sales or network marketing opportunity. This conduct represents recruiting even if the IBO's actions are in response to an inquiry made by another IBO or customer.
- C. A Social Outbreak IBO must not sell, or entice others to sell, any competing products or services, including training materials, to Social Outbreak customers or IBOs. Any product or service in the same category as a Social Outbreak product or service is deemed to be competing (i.e., any competing product or service regardless of differences in cost or quality. This provision does not apply where professional services are the primary source of revenue and the product sales are secondary (e.g., doctor's offices, clinics, health clubs, spas and beauty salons).
- D. However, an IBO may sell non-competing products or services to Social Outbreak customers and IBOs that they personally sponsored.
- E. An IBO may not display or bundle Social Outbreak products or services, in sales literature, on a web site or in sales meetings, with any other products or services to avoid confusing or misleading a prospective customer or IBO into believing there is a

relationship between the Social Outbreak and non-Social Outbreak products and services.

- F. A Social Outbreak IBO may not offer any non-Social Outbreak opportunity, products or services at any Social Outbreak related meeting, seminar or convention, or immediately following a Social Outbreak event.
- G. As a condition of participating in the Social Outbreak opportunity and in consideration of receipt of commissions and other bonuses from Social Outbreak, a former IBO may not recruit any Social Outbreak IBO or customer for another direct selling, multilevel, network marketing, or relationship marketing company for a *period of six months* following the termination, expiration, or cancellation of the IBO agreement.
- H. A violation of any of the provisions in Section 3.0 shall constitute unreasonable and unwarranted contractual interference between Social Outbreak and its IBOs and would inflict irreparable harm on Social Outbreak. In such event, Social Outbreak may, at its sole discretion, impose any sanction it deems necessary and appropriate against such IBO or such IBO's distributorships including termination, or seek immediate injunctive relief without the necessity of posting a bond.

3.11 Presentation of the Social Outbreak Opportunity

- A. In presenting the Social Outbreak opportunity to potential customers and IBOs, an IBO is required to comply with the following provisions:
 - I. An IBO shall not misquote or omit any significant material fact about the Compensation Plan.
 - II. An IBO shall make it clear that the Compensation Plan is based upon sales of Social Outbreak products and services and upon the sponsoring of other IBOs.
 - III. An IBO shall make it clear that success can be achieved only through substantial independent efforts.
 - IV. A Social Outbreak IBO shall not make income projections, claims, or guarantees while presenting or discussing the Social Outbreak opportunity or Compensation Plan to prospective IBOs or Customers.
 - V. An IBO may use hypothetical income examples to explain the operation of the Compensation Plan, so long as it is made clear that such earnings are hypothetical.
 - VI. An IBO may not make any claims regarding products or services of any products offered by Social Outbreak, except those contained in official Social Outbreak literature.
 - VII. An IBO may not use official Social Outbreak material to promote the Social Outbreak business opportunity in any country where Social Outbreak has not established a "presence."
 - VIII. In an effort to conduct best business practices, Social Outbreak has developed the Income Disclosure Statement ("IDS"). The Social Outbreak IDS is designed to convey truthful, timely, and comprehensive information regarding the income that Social Outbreak distributors earn. In order to accomplish this objective, a copy of the IDS must be presented to all prospective distributors.

A copy of the IDS must be presented to a prospective distributor anytime the Compensation Plan is presented or discussed, or any type of income claim or earnings representation is made.

The terms "income claim" and/or "earnings representation" (collectively "income claim") include: (1) statements of average earnings, (2) statements of non-average earnings, (3) statements of earnings ranges, (4) income testimonials, (5) lifestyle claims, and (6) hypothetical claims. Examples of "statements of non-average earnings" include, "Our number one distributor earned over a million dollars last year" or "Our average ranking distributor makes five thousand per month." An example of a "statement of earnings ranges" is "The monthly income for our higher ranking distributors is ten thousand dollars on the low end to thirty thousand dollars a month on the high end."

3.12 Sales Requirements are governed by the Compensation Plan

- A. The Social Outbreak Compensation Plan is based upon the sale of Social Outbreak products and services to end consumers. In order to obtain the right to earn commissions on downline volume during a given month, IBOs must: (a) develop or service at one customer each month; or (b) have at least \$50 of sales to any number of retail customers. For purposes of obtaining the rights referred to in the Rule, sales must be to retail customers who either: (a) place an order directly with the Company; or (b) place an order with the IBO that the IBO reports to the Company through a system established by the Company for tracking such sales.
- B. There are no exclusive territories granted to anyone. No franchise fees are applicable to a Social Outbreak business.

4.0 ORDERING

4.1 General Order Policies

- A. Bonus buying is strictly and absolutely prohibited. Bonus buying includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a IBO or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as IBO or Customers ("phantoms"); (d) purchasing Social Outbreak products or services on behalf of another IBO or Customer, or under another IBO's or Customer's ID number, to qualify for commissions or bonuses; (e) purchasing excessive amounts of goods or services that cannot reasonably be used or resold in a month; and/or (f) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions, or bonuses that is not driven by bona fide product or service purchases by end user consumers.
- B. An IBO shall not use another IBO's or customer's credit card or debit checking account to enroll in Social Outbreak or purchase products or services without the account holder's *written permission*. Such documentation must be kept by the IBO indefinitely in case Social Outbreak needs to reference this.
- C. Regarding an order with an invalid or incorrect payment, Social Outbreak will attempt to contact the IBO by email in order to obtain another form of payment. If these attempts are unsuccessful after 10 business days, the order will be canceled.

- D. No C.O.D. (cash on delivery) orders will be accepted. Social Outbreak requires a valid credit or debit card for all orders and monthly autoships. It is the responsibility of the IBO to assure that their credit/debit card is valid in their back office.
- E. Prices are subject to change without notice.
- F. An IBO or Customer who is a recipient of a damaged or incorrect order must notify Social Outbreak within 30 calendar days from receipt of the order and follow the procedures set forth in Section 7.5.

4.2 Insufficient Funds

- A. All checks returned for insufficient funds will be re-submitted for payment. A \$35 fee will be charged to the account of the IBO or Customer for all returned checks and insufficient funds.
- B. Any outstanding balance owed to Social Outbreak by an IBO or customer of the IBO from NSF (non-sufficient funds) checks, returned check fees or insufficient fund fees (ACH) will be withheld by Social Outbreak from an IBO's future bonus and commission checks.
- C. All transactions involving returned checks or insufficient funds through ACH or credit card, which are not resolved in a timely manner by the IBO, constitute grounds for disciplinary sanctions.

4.3 Sales Tax Obligation

- A. The IBO shall comply with all state and local taxes and regulations governing the sale of Social Outbreak products and services in their state of legal residence/business.
- B. Social Outbreak encourages each IBO to consult with a tax advisor for additional information for his or her business.
- C. If a credit card order or automatic debit is declined the first time, the customer or IBO will be contacted for an alternate form of payment by email. If payment is declined a second time, the customer or IBO may be deemed ineligible to purchase Social Outbreak products or services or participate in the monthly auto ship.

5.0 PAYMENT OF COMMISSIONS & BONUSES

5.1 Bonus and Commission Qualifications

- A. An IBO must be active and in compliance with Social Outbreak Policies and Procedures to qualify for bonuses and commissions. So long as an IBO complies with the terms of the agreement, Social Outbreak shall pay commissions to such IBO in accordance with the Compensation Plan.
- B. Social Outbreak will not issue a check to an IBO without the receipt of a completed and signed Social Outbreak IBO Agreement or electronic authorization as required by Section 2.2 A.
- C. Social Outbreak reserves the right to postpone commission payments until such time the cumulative amount exceeds \$25.

5.2 Computation of Commissions, Discrepancies, and Schedule of Fees

- A. Commissions, overrides, and achievement levels are calculated on a calendar month. Monthly commissions are paid between the 15th and 20th of each month. Payments can be made in multiple mediums as elected by the IBO so when and how they are received will vary by their selection.
- B. A Social Outbreak IBO must review his or her monthly statement and bonus reports promptly and report any discrepancies within 30 days of receipt. After the 30 day “grace period” no additional requests will be considered for commission’s recalculation.
- C. For additional information on payment of commissions, please review the Compensation Plan.
- D. Schedule of Fees
 - I. Commission check reissue - \$20
 - II. Commission check hold - \$20
 - III. Special/emergency handling - \$20, plus shipping expense
 - IV. Returned / NSF check - \$35
 - V. Un-cashed Commission check voided after 90 days - \$20

5.3 Adjustments to Bonuses and Commissions for Returned Products or IBO Memberships.

- A. An IBO receives bonuses and commissions based on the actual sales of products and services to end consumers and to IBOs through monthly membership fees. When a product or service is returned to Social Outbreak for a refund from the end consumer or by an IBO, the bonuses and commissions attributable to the returned product or service will be deducted from the IBO who received bonuses or commissions on such sales. Deductions will occur in the month in which the refund is given and continue every pay period thereafter until the commission is recovered.
- B. In the event that an IBO terminates his or her distributorship, and the amounts of the bonuses or commissions attributable to the returned products have not yet been fully recovered by Social Outbreak, the remainder of the outstanding balance may be offset against any other amounts that may be owed by Social Outbreak to the terminated IBO.

5.4 Promotion and Incentive Trips

- A. To encourage exceptional performance by Social Outbreak IBOs, Social Outbreak will provide award incentive programs in various forms that may include company logo products, getaway trips, seminars or other company-sponsored events.

6.0 REFUNDS/ RETURNS - IBO’s AND CUSTOMERS

6.1 Product Refunds / Returns- IBO’s and Customers

Due to the nature of the downloadable digital application/products being offered, it is commercially impractical for Social Outbreak to offer refunds to IBOs or customers. Upon purchasing a downloadable product from Social Outbreak, the purchaser (IBO and Customer) experiences the benefit immediately without the ability to return it.

IBOs must strongly encourage all purchasers to closely review the available templates and application training videos prior to purchase to ensure they're fully informed of the offering. IBO's and their customers are encouraged to contact Social Outbreak Corp Support with any problems with the use products, if required. Training videos and FAQs are available on the website to support the application of the downloadable products. IBO's and customers are also encouraged to contact their sponsor or sales person for additional support with the product. If a customer or IBO reverses or charges back their credit card purchase of a downloadable Social Outbreak product, the commission of the direct sponsor will be reduced by the amount reversed or charged back.

6.2 IBO Enrollment Refunds

IBOs may cancel their enrollment and request a return of the enrollment fee, without any penalty or obligation, within THREE (3) BUSINESS DAYS from the date of enrollment. To cancel this transaction and request a refund, please send an email to our compliance department at compliance at www.socialoutbreak.com While enrollment fees will be refunded as noted above, product purchases made during or subsequent to enrollment/participation will not be refunded as explained above in section 6.1.

6.3 Return of IBO Sales Aids/Products

Social Outbreak Corp utilizes third party vendors for business sales aids such as business cards, brochures, DVDs and logo apparel. Although Social Outbreak places links on their website to direct the customer or IBO to an approved source for such sales aids, each vendor source has their own product return policy that should be acknowledged and agreed to by the customer or IBO prior to purchasing the sales aid product. Social Outbreak has no authority or control over the 3rd party vendors and their return policies and procedures.

7.0 PRIVACY POLICY

7.1 Introduction

This Privacy Policy is to ensure that all Customers and IBOs understand and adhere to the basic principles of confidentiality.

7.2 Expectation of Privacy

- A. Social Outbreak recognizes and respects the importance its Customers, and IBOs place on the privacy of their financial and personal information. Social Outbreak will make reasonable efforts to safeguard the privacy of, and maintain the confidentiality of its Customers', and IBOs' financial and account information and nonpublic personal information.
- B. By entering into the IBO agreement, an IBO authorizes Social Outbreak to disclose his or her name and contact information to upline IBOs solely for activities related to the furtherance of the Social Outbreak business. An IBO hereby agrees to maintain the confidentiality and security of such information and to use it solely for the purpose of supporting and servicing his or her downline organization and conducting the Social Outbreak business.

7.3 Employee Access to Information

Social Outbreak limits the number of employees who have access to Customer's and IBOs nonpublic personal information.

7.4 Protection of Information by Established Security Procedures

- A. Access to confidential account information will only be provided to the authorized account holder after identification of the account holder has been verified.
- B. Verifying information may include but is not limited to:
 - I. user name/ ID number;
 - II. Address;
 - III. Phone number(s);
 - IV. Credit card number(s);
 - V. PIN (Personal Identification Numbers);
 - VI. Signatures or other identifying information.
- C. If uncertainty exists regarding the identity of the person requesting the information over the phone, Social Outbreak will ask that the request be made in writing, to be mailed or faxed to Social Outbreak corporate office.

7.5 Restrictions on the Disclosure of Account Information

- A. Social Outbreak will not share non-public personal information or financial information about current or former Customers or IBOs with third parties, except as permitted or required by laws and regulations, court orders, or to serve the Customers', or IBOs' interests or to enforce its rights or obligations under these Policies and Procedures, or IBO's Agreement or with written permission from the account holder on file.

8.0 PROPRIETARY INFORMATION AND TRADE SECRETS

8.1 Business Reports, Lists, and Proprietary Information

- A. By completing and signing the Social Outbreak IBO Agreement, the IBO acknowledges that Business Reports, lists of Customer and IBO names and contact information and any other information, which contain financial, scientific or other information both written or otherwise circulated by Social Outbreak pertaining to the business of Social Outbreak (collectively, "Reports"), are confidential and proprietary information and trade secrets belonging to Social Outbreak.

8.2 Obligation of Confidentiality

- A. During the term of the Social Outbreak IBO Agreement and for a period of 5 years after the termination or expiration of the IBO Agreement between the IBO and Social Outbreak, the IBO shall not:
 - I. Use the information in the Reports to compete with Social Outbreak or for any purpose other than promoting his or her Social Outbreak business;
 - II. Use or disclose to any person or entity any confidential information contained in the Reports.

8.3 Breach and Remedies

- A. The IBO acknowledges that such proprietary information is of such character as to render it unique and that disclosure or use thereof in violation of this provision will result in irreparable damage to Social Outbreak and to independent Social Outbreak businesses. Social Outbreak and its IBOs will be entitled to injunctive relief or to recover damages against any IBO who violates this provision in any action to enforce its rights under this section. The prevailing party shall be entitled to an award of attorney's fees and expenses.

8.4 Return of Materials

- A. Upon demand by Social Outbreak, any current or former IBO will return the original and all copies of all "Reports" to Social Outbreak together with any Social Outbreak confidential information in such person's possession.

9.0 ADVERTISING, PROMOTIONAL MATERIAL, USE OF COMPANY NAMES AND TRADEMARKS

9.1 Use of Company Names and Protected Materials

- A. A Social Outbreak IBO must safeguard and promote the good reputation of Social Outbreak and the products and services it markets. The marketing and promotion of Social Outbreak, the Social Outbreak opportunity, the Compensation Plan, and Social Outbreak products and services will be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct and practices.
- B. All promotional materials supplied or created by Social Outbreak must be used in their original form and cannot be changed, amended or altered except with prior written approval from the Social Outbreak Compliance Department.
- C. The trademark name of Social Outbreak, each of its product names and other names that have been adopted by Social Outbreak in connection with its business are proprietary trade names, trademarks and service marks of Social Outbreak. As such, these marks are of great value to Social Outbreak and are supplied to IBOs for their use only in an expressly authorized manner. This includes the Social Outbreak trademark name in any form within a URL.
 - I. A Social Outbreak IBO in good standing may submit a written request to the Compliance department to use the trademark name within a registered URL prior to their use. They will receive a written approval or denial from the compliance department within 30 days. Social Outbreak retains the right to reverse their decision at anytime, for any reason and will give written notice to the IBO to cease use of the URL. Send written requests to: compliance@socialoutbreak.com
- D. A Social Outbreak IBO's use of the name Social Outbreak is restricted to protect Social Outbreak proprietary rights, ensuring that the Social Outbreak protected names will not be lost or compromised by unauthorized use. Use of the Social Outbreak name on any item not produced by Social Outbreak is prohibited except as follows:
 - I. [IBO's name] Independent Social Outbreak IBO
 - II. [IBO's name] Independent IBO of Social Outbreak products and services.

- E. Further procedures relating to the use of the Social Outbreak name are as follows:
- I. All stationery (i.e. letterhead, envelopes, and business cards) bearing the Social Outbreak name or logo intended for use by the IBO must be approved in writing by the Social Outbreak Compliance Department.
 - II. Social Outbreak IBOs may list "Independent Social Outbreak IBO or IBO" in the white pages of the telephone directory under his or her own name.
 - III. Executives or above may list his or her name in the yellow pages of the phone directory under the appropriate classification. Contact the Compliance Department for additional approved categories.
 - IV. A Social Outbreak IBO is allowed to place phone directory display advertisements using the Social Outbreak name or logo with written approval from the Social Outbreak Compliance Department.
 - V. Use of the Social Outbreak name or logo on buildings, vehicles etc, is prohibited without the express written consent from the Social Outbreak Compliance Department.
 - VI. Social Outbreak IBOs may not use the name Social Outbreak or Social Outbreak in answering his or her telephone, creating a voice message or using an answering service, such as to give the impression to the caller that they have reached the corporate office. They may state, "Independent Social Outbreak IBO,"
- F. Certain photos and graphic images used by Social Outbreak in its advertising, packaging, and Web sites are the result of paid contracts with outside vendors that do not extend to IBOs. If an IBO wants to use these photos or graphic images, they must negotiate individual contracts with the vendors for a fee.
- G. An IBO may apply to the Compliance Department for use of the logos, photos, banners, and graphic images that can be found on the Social Outbreak office Web site, under Advertising Resources. These images are free and available for IBO use with prior written approval.
- H. A Social Outbreak IBO shall not produce, promote, duplicate, manipulate, or use materials of any kind describing Social Outbreak names, designs, symbols, programs, products, and trademarked, copyrighted, or otherwise protected materials, for other than their intended use, including but not limited to audio, video, or web materials, without written approval by Social Outbreak, prior to the production or use of such materials.
- I. A Social Outbreak IBO shall not appear on or make use of television or radio, or make use of any other media to promote or discuss Social Outbreak or its programs, products or services without prior written permission from the Social Outbreak Compliance Department.
- J. An IBO may not produce for sale or distribution any Company event or speech, nor may an IBO reproduce Social Outbreak audio or video clips for sale or for personal use without prior written permission from the Social Outbreak Compliance Department.
- K. A Social Outbreak IBO may apply to the Social Outbreak Compliance Department for authorization to use corporate created ads or promotional material found in the Social Outbreak Back Office under the Advertising Resources section.

- L. Social Outbreak reserves the right to rescind its prior approval of any sales aid or promotional material to comply with changing laws and regulations and may request the removal from the marketplace of such materials without financial obligation to the affected IBO.
- M. An IBO shall not promote non-Social Outbreak products or services in conjunction with Social Outbreak products or services on the same Web sites or same advertisement without prior approval from Social Outbreak Compliance.

9.3 Faxes and E-mail - Limitations

- A. Except as provided in this section, an IBO may not use or transmit unsolicited faxes, e-mail, mass e-mail distribution, or "spamming" that advertises or promotes the operation of his or her Social Outbreak business. The exceptions are:
 - I. Faxes or e-mailing any person who has given prior permission or invitation.
 - II. Faxing or e-mailing any person with whom the IBO has established a prior business or personal relationship.
- B. In all states where prohibited by law, an IBO may not transmit, or cause to be transmitted through a third party, (by telephone, facsimile, computer or other device), an unsolicited advertisement to any equipment, which has the capacity to transcribe text or images from an electronic signal received over a regular telephone line, cable line, ISDN, T1 or any other signal carrying device, except as set forth in this section.
- C. All faxes, e-mail or computer broadcasted documents subject to this provision shall include each of the following:
 - I. A clear and obvious identification that the fax or e-mail message is an advertisement or solicitation. The words "advertisement" or "solicitation" should appear in the subject line of the message.
 - II. A clear return path or routing information.
 - III. The use of legal and proper domain name.
 - IV. A clear and obvious notice of the opportunity to decline to receive further commercial facsimile or e-mail messages from the sender.
 - V. Unsubscribe or opt-out instructions should be the very first text in the body of the message box in the same size text as the majority of the message.
 - VI. The true and correct name of the sender, valid senders fax or e-mail address, and a valid sender physical address.
 - VII. The date and time of the transmission.
 - VIII. Upon notification by recipient of his or her request not to receive further faxed or e-mailed documents, a Social Outbreak IBO shall not transmit any further documents to that recipient.
- D. All e-mail or computer broadcasted documents subject to this provision shall not include any of the following:
 - I. Use of any third party domain name without permission.

II. Sexually explicit materials.

9.4 Internet and Third-Party Web site Regulations

- A. A Social Outbreak IBO may use Web banner ads created by Social Outbreak, that link a third party Web site to an IBO's Web site.
- B. An IBO may not use third-party sites that contain materials copied from corporate sources (such as Social Outbreak brochures, CDs, videos, tapes, events, presentations, and corporate Web sites) nor create his or her own Social Outbreak material. This policy ensures brand consistency, allows customers, and IBOs to stay up-to-date with changing products and information, facilitates enrollment under the correct Sponsor, and assists in compliance with government regulations.
- C. A Social Outbreak IBO who currently qualifies at the "paid as" rank of President may apply to the Compliance Department for an exception to the third-party Website policy. To qualify for an exception, the Website must serve a unique market that the Social Outbreak corporate site does not currently serve or intend to serve.
- D. A Social Outbreak IBO may not sell Social Outbreak products or offer the Business opportunity using "on-line auctions," such as eBay®.
- E. An IBO may not use or attempt to register any of Social Outbreak's trade names, trademarks, service names, service marks, product names, URLs, advertising phrases, the Company's name or any derivative thereof, for any purpose including, but not limited to, Internet domain names (URL), third party Web sites, Web pages, or blogs.

9.5 Advertising and Promotional Materials

- A. Advertising and all forms of communications must adhere to principles of honesty and propriety.
- B. All advertising, including but not limited to print, internet, computer bulletin boards, television, radio, etc., are subject to prior written approval by the Social Outbreak Compliance Department.
- C. All requests for approvals with respect to advertising must be directed in writing to the Social Outbreak Compliance Department.
- D. Social Outbreak approval is not required to place blind ads that do not mention Social Outbreak, its employees, any of its products, services designs, symbols, programs, and trademarked, copyrighted, or otherwise protected materials.
- E. An IBO who is currently paid at the President's rank may create his or her own ads or promotional materials including the development of commercials, infomercials and third party Websites. However, all such materials, and any subsequent changes thereto shall be submitted to the Social Outbreak Compliance Department for prior approval.
 - I. Presidents are encouraged to work with the Compliance Department prior to the production of commercials, infomercials, or Websites.
- F. To obtain Social Outbreak approval for an ad, the IBO must comply with the following process:

- I. Create ad (Presidents only) or select one of the corporate produced ads on the website or in the back-office.
 - II. Complete the Advertising Approval Form, found in the back office.
 - III. Be sure to state "Independent Social Outbreak IBO " on your material.
 - IV. Submit the layout and approval form to: Social Outbreak compliance department via mail or fax.
 - V. Allow a minimum of 2-4 weeks for approval, large projects may require additional time;
- G. Your ad will be reviewed as quickly as reasonably possible and a Social Outbreak approval number will be assigned, in writing, which will then be added to your advertisement. *Unless you receive specific written approval from the Social Outbreak Compliance to use the material, the request shall be deemed denied.*
- H. Social Outbreak reserves the right to rescind its prior approval of submitted advertising or promotional materials in order to comply with changing laws and regulations, and may require the removal of such advertisements from the market place without obligation to the affected IBO.

9.6 Testimonial Permission

- A. By signing the Social Outbreak IBO Agreement, an IBO gives Social Outbreak permission to use his or her testimonial or image and likeness in corporate sales materials, including but not limited to print media, electronic media, audio and video. In consideration of being allowed to participate in the Social Outbreak Business Opportunity, an IBO waives any right to be compensated for the use of his or her testimonial or image and likeness even though Social Outbreak may be paid for items or sales materials containing such image and likeness. In some cases, an IBO's testimonial may appear in another IBO's advertising materials. If an IBO does not wish to participate in Social Outbreak sales and marketing materials, he or she should provide a written notice to the Social Outbreak Compliance Department to ensure that his or her testimonial or image and likeness will not be used in any corporate materials, corporate recognition pieces, advertising or recordings of annual events.

9.7 Telemarketing - Limitations

- A. A Social Outbreak IBO must not engage in telemarketing in relation to the operation of the IBO's Social Outbreak business. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of Social Outbreak products or services, or to recruit them for the Social Outbreak opportunity.
- B. The Federal Trade Commission (FTC) and the Federal Communications Commission (FCC) each have laws that restrict telemarketing practices. Both Federal agencies, as well as a number of states, have "do not call" regulations as part of their telemarketing laws.
- C. While an IBO may not consider himself or herself a "telemarketer" in the traditional sense, these regulations broadly define the term "telemarketer" and "telemarketing" so that the unintentional action of calling someone whose telephone number is listed on the Federal "Do Not Call" registry could cause the IBO to violate the law. These regulations must not be taken lightly, as they carry significant penalties (up to \$11,000 per violation).

- D. Cold calls or state-to-state calls made to prospective Customers, or IBOs that promote either Social Outbreak products, services or the Social Outbreak opportunity is considered telemarketing and is prohibited.

- E. Exceptions to Telemarketing Regulations

A Social Outbreak IBO may place telephone calls to prospective Customers, or IBOs under the following limited situations:

- I. If the IBO has an established business relationship with the prospect.
 - II. In response to the prospect's personal inquiry or application regarding a product or service offered by the Social Outbreak IBO, within 3 months immediately before the date of such a call.
 - III. If the IBO receives written and signed permission from the prospect authorizing the IBO to call. The authorization must specify the telephone number(s) that the IBO is authorized to call.
 - IV. If the call is to family members, personal friends, and acquaintances. However, if an IBO makes a habit of collecting business cards from everyone he/she meets and subsequently calls them, the FTC may consider this a form of telemarketing that is not subject to this exemption.
 - V. Social Outbreak IBOs engaged in calling "acquaintances," must make such calls on an occasional basis only and not as a routine practice.
- F. An IBO shall not use automatic telephone dialing systems in the operation of his or her Social Outbreak businesses.
- G. Failure to abide by Social Outbreak policies or regulations as set forth by the FTC and FCC regarding telemarketing may lead to sanctions against the IBO's distributorship, up to and including termination of the distributorship.
- H. By signing the IBO agreement or by accepting commission checks, other payments or awards from Social Outbreak, an IBO gives permission to Social Outbreak and other IBOs to contact them as permitted under the Federal Do Not Call regulations.
- I. In the event an IBO violates this section, Social Outbreak reserves the right to institute legal proceedings to obtain monetary or equitable relief.

9.8 Field Initiated Marketing Projects

- A. Social Outbreak has developed one of the most lucrative Compensation Plans in the industry. As a result, it does not directly or indirectly compensate individuals or groups for the provision of ideas, products, or services. The Compensation Plan encourages all IBOs to put forth great ideas that will provide Social Outbreak the ability to create better tools and resources that can help all IBOs to build their Social Outbreak businesses.
- B. Social Outbreak will wholly own all ideas, products, concepts, and service suggestions without obligation to the referring IBO.
- C. Social Outbreak IBOs are encouraged to provide recommendations to their leaders or to Social Outbreak Customer Service.
- D. Social Outbreak will explore appropriate suggestions, and in some instances the referring IBO might be asked for assistance in developing the concept.
- E. If Social Outbreak does not implement an idea or suggestion, then an IBO may pursue this project independently with the written consent of Social Outbreak - so long as such project does not contain any company or claim and does not violate or misuse a Social

Outbreak trademark or brand identity. However, Social Outbreak will not endorse any field-initiated project, will not promote such project at corporate-run/sponsored events, and will not include such project as part of the business or services officially offered by the company. In addition, nothing shall prevent Social Outbreak from thereafter offering its own project or program that may be similar to the field initiated project, without compensation or obligation to an e-IBO or to the field.

10.0 INTERNATIONAL MARKETING

10.1 International Marketing Policy

- A. A Social Outbreak IBO is authorized to sell Social Outbreak products, to customers, IBOs only in the countries in which Social Outbreak is authorized to conduct business, according to the Policies and Procedures of each country. Social Outbreak IBOs may not sell products or services in any country where Social Outbreak products and services have not received applicable government authorization or approval.
- B. An IBO may not, in any unauthorized country, conduct sales, enrollment or training meetings, enroll or attempt to enroll potential Customers, or IBOs, nor conduct any other activity for the purpose of selling Social Outbreak products and services, establishing a sales organization, or promoting the Social Outbreak business opportunity.
- C. An IBO may not, in any unauthorized country, obtain or attempt to obtain approvals or authorizations for Social Outbreak products and services or establish governmental or regulatory contact on behalf of Social Outbreak. Additionally, an IBO may not register or reserve Social Outbreak trade names, trademarks, service marks, or internet domain names.

11.0 CONFLICT OF INTEREST

11.1 Conflict of Interest

- A. In order to avoid a conflict of interest, or the appearance thereof, Social Outbreak will not “engage in any outside business” with an IBO in any capacity unrelated to the Social Outbreak business opportunity products and services. This means that Social Outbreak will not purchase goods or services from IBOs, use IBOs as vendors, or hire IBOs as independent contractors, other than in connection with the IBO agreement and the sale of Social Outbreak products and services. For those few arrangements, currently existing, such arrangements will be governed by written agreements, with a set term.

12.0 CHANGES TO AN IBO BUSINESS

12.1 Modification of the IBO agreement

- A. A Social Outbreak IBO may modify his or her existing IBO agreement (i.e., change a social security number to a Federal ID number, add a Spouse or partner to the account, or change the form of ownership from an individual to a business owned by the IBO) by submitting a written request, accompanied by a new IBO agreement and the Business Registration Form, if applicable, completed with fresh signatures (not a “crossed out” or “white-out” version of the first agreement), and any appropriate supporting documentation.

12.2 Change Sponsor or Placement for Active IBOs

- A. Maintaining the integrity of the organizational structure is mandatory for the success of Social Outbreak and our independent IBOs. As such, a request to change placement may be made in the event of an error in placement and within the first 30 days of initial enrollment as an IBO. Furthermore, such changes may only occur within the same organization.
- B. Sponsors may make "Placement changes" from one IBO to another for personally sponsored (frontline) IBOs during the first 30 days of enrollment.
- C. New IBOs or their original Sponsor may request a change of Sponsor or Placement within the first 30 days of enrollment for the purpose of structuring an organization. The new IBO agreement must be received within the calendar month for commission calculations to be effective with the requested change.
- D. To change or correct the Sponsor, an IBO must comply with following procedures:
 - I. Submit a Sponsor Placement Transfer Form;
 - II. Submit a Social Outbreak IBO agreement showing the correct Sponsor and Placement, and any appropriate supporting documentation;
 - III. The IBO agreement must be a new, completed document bearing "fresh" signatures, not a "crossed-out" or "white-out" version of the first agreement.
- E. Upon approval, the IBO's downline, if any, will transfer with the IBO.
- F. Requests to transfer to a different Sales organization will not be accepted, regardless of when they are made, unless Social Outbreak can verify that unethical sponsoring has occurred.
- G. If one transfer has already been made a \$20 fee will be assessed for the second and for each transfer thereafter.
- H. After the first 30 days from initial enrollment, Social Outbreak will honor the Sponsor/Placement as shown:
 - I. On the most recently signed IBO agreement on file or
 - II. Self-enrolled on the Web site (i.e., electronically signed Web agreement).
- F. An IBO agreement that contains notations such as "by phone" or the signatures of other individuals (i.e., Sponsors, spouses, relatives, or friends) is not valid and will not be accepted by Social Outbreak.
- G. In the absence of a valid IBO agreement within 30 days of enrollment, Social Outbreak will consider the activity that has taken place on the IBO's account. The IBO will be required to submit a letter of resignation and remain inactive (inactive auto ship) for 6 months in order to reapply under a different Sponsor.
- H. Social Outbreak retains the right to approve or deny any requests to change Sponsor or Placement, and to correct any errors related thereto at any time and in whatever manner it deems necessary.

12.3 Change Sponsor or Placement for Inactive IBOs

- A. At the discretion of Social Outbreak, IBOs who did not participate in an auto ship or have not ordered products or services for at least 12 months, and who have not tendered a

letter of resignation, are eligible to re-enroll in Social Outbreak under the Sponsor/Placement of their choice.

- B. Upon written notice to Social Outbreak that a former IBO wishes to re-enroll, Social Outbreak will “compress” (close) the original account. A new Social Outbreak ID number will then be issued to the former IBO.
- C. Such IBO does not retain former rank, downline, or rights to commission checks from his or her former organizations.
- D. Social Outbreak reserves the right to correct Sponsor or Placement errors at any time and in whatever manner it deems necessary.

12.4 Change Organizations

- A. If an Social Outbreak IBO wishes to transfer organizations, he or she must submit a letter of resignation to the Social Outbreak Customer Service Department and remain inactive (place no orders, or be on an auto ship) from Social Outbreak for 6 months from the receipt of the letter before being eligible to re-enroll under a different Sponsor/Placement.
- B. Social Outbreak retains the right to approve or deny any request to re-enroll after an IBO's resignation.
- C. If re-enrollment is approved, the former IBO will be issued a new Social Outbreak ID number and will be required to submit a new IBO agreement and to purchase a Social Outbreak package of their choice. The IBO will not be entitled to keep any former rank, downline, or rights to commission checks from any prior organization.
- D. Transfers may not be done outside of the original organization.

12.5 Unethical Sponsoring

- A. Unethical sponsoring activities include, but are not limited to, enticing, bidding or engaging in unhealthy competition in trying to acquire a prospect or new IBO from another IBO or influencing another IBO to transfer to a different sponsor.
- B. Allegations of unethical sponsoring must be reported in writing to the Social Outbreak Compliance Department within the first 90 days of enrollment. If the reports are substantiated, Social Outbreak may transfer the IBO or the IBO's downline to another sponsor, Placement or organization without approval from the current Upline Sponsor or Placement IBOs. Social Outbreak remains the final authority in such cases.

12.6 Sell, Assign or Delegate Ownership

- A. In order to preserve the integrity of the hierarchical structure, it is necessary for Social Outbreak to place restrictions on the transfer, assignment, or sale of a distributorship.
- B. A Social Outbreak IBO may not sell or assign his or her rights or delegate his or her position as an IBO without *prior written approval* by Social Outbreak, which approval will not be unreasonably withheld. Any attempted sale, assignment, or delegation without such approval may be voided at the discretion of Social Outbreak.
- C. Should the sale be approved by Social Outbreak, the Buyer assumes the position of the Seller at the current qualified title, but at the current “paid as” rank, at the time of the sale and acquires the Seller's Downline.

- D. To sell a distributorship, an IBO must comply with the following procedures:
- I. The Seller's immediate active Sponsor must be given the first right and option, in writing, to purchase the distributorship.
 - II. If the immediate active Sponsor declines, in writing, to purchase the distributorship, the same offer must then go to the Seller's immediate active Upline and so forth, until a total of 1 Sponsor and 4 Upline IBOs have been presented with the opportunity to purchase the Seller's distributorship. For the sale of a Diamond distributorship, Social Outbreak shall be offered the opportunity to purchase the distributorship if declined by the Sponsor and 4 Upline IBOs (if any).
 - III. The Sponsor or Upline IBO shall indicate his or her interest to purchase the distributorship being sold, by notifying the Seller, in writing, within 10 days of the written offer and, thereafter, shall have up to 60 days to enter into a Sales Agreement with the Seller. The potential Buyer must exercise good faith efforts as to not cause unreasonable or undue delay. This provision is not meant to restrict the contractual rights of either party, but rather to encourage the timely and equitable resolution of such business transactions.
 - IV. If the Sponsor, 4 Upline IBOs, and Social Outbreak, if applicable, each decline, in writing, to purchase the distributorship or fail to respond within 10 days after the Seller's notice of intent to sell, the Seller may proceed with the sale to a third party willing to purchase the distributorship upon substantially the same terms and conditions as provided to the Sponsor and 4 Upline IBOs.
 - V. The terms and conditions of sale or transfer to a third party shall not change materially from the initial terms and conditions provided to the Seller's Sponsor and Upline IBOs (if any). Should any significant terms of the offer change, or should the sale price be reduced by more than 15 percent from the initial offer, the Sponsor, 4 Upline IBOs, and Social Outbreak, if applicable, shall be given another opportunity to purchase the distributorship at the reduced price or significantly changed terms.
- E. To request corporate authorization for a sale or transfer of a Social Outbreak distributorship, the following items must be submitted to the Social Outbreak Compliance Department:
- I. A Sale/Transfer of Distributorship form properly completed, with the requisite signatures.
 - II. A copy of the Sales Agreement signed and dated by both Buyer and Seller.
 - III. A Social Outbreak IBO Agreement completed and signed by the Buyer.
 - IV. Payment of the \$100 administration fee.
 - V. Any additional supporting documentation requested by Social Outbreak.
- F. If the Buyer is not a current Social Outbreak IBO, the Buyer must enroll as a Social Outbreak IBO and purchase the Professional Package. If the Buyer is a current Social Outbreak IBO, he or she must be in good standing and not in violation of any provision of the IBO agreement or these Policies and Procedures. Any such purchase by a current Social Outbreak IBO shall be subject to the provisions of this Agreement.
- G. Any debt obligations that either Seller or Buyer may have with Social Outbreak must be satisfied prior to the approval of the sale or transfer by Social Outbreak.

- H. A Social Outbreak IBO who sells his or her distributorship is not eligible to re-enroll as a Social Outbreak IBO in any organization for 6 full calendar months following the date of the sale except as otherwise expressly set forth in these Policies and Procedures.

12.8 Separating a Social Outbreak Business

- A. Pending a divorce or dissolution of a partnership or other business entity, the parties must adopt one of the following methods of operation:
 - I. One of the parties may, with the written consent of the other(s), operate the Social Outbreak business whereby the relinquishing Spouse, shareholders, partners, members or trustees authorize Social Outbreak to deal directly and solely with the other Spouse, nonrelinquishing shareholder, partner, member or trustee.
 - II. The parties may continue to operate the Social Outbreak business jointly on a "business as usual" basis, whereupon all compensation paid by Social Outbreak will be paid in the name designated by the IBOs or in the name of the entity to be divided, as the parties may independently agree between them. If no name is stipulated, Social Outbreak will pay compensation to the name on record and in such event, the IBO named on the account shall indemnify Social Outbreak from any claims from the other business owner or the other Spouse with respect to such payment.
- B. Social Outbreak recognizes only one Downline organization and will issue only one commission check per Social Outbreak business per commission cycle. Under no circumstances will the Downline of an organization be divided, nor will Social Outbreak split commission and bonus checks.
- C. If a relinquishing Spouse, partner or owner of the business has completely relinquished ("Relinquishing Party"), in writing, all rights to the original Social Outbreak business, he or she may immediately thereafter re-enroll under the Sponsor and Placement of his or her choice. In such cases, however, the Relinquishing Party shall have no rights to, and shall not solicit, any IBO or active Customer in the former organization, and must develop a new business in the same manner as any other new Social Outbreak IBO. An IBO in the Relinquishing Party's former Downline who wishes to transfer to the Relinquishing Party's new organization or to any other organization, must comply with the requirements as set forth in this Agreement.

12.9 Succession

- A. Upon the death or incapacity of an IBO, the IBO's business may be passed on to his or her legal successors in interest (successor). Whenever a Social Outbreak business is transferred by will or other testamentary process, the successor acquires the right to collect all bonuses and commissions of the deceased IBO's sales organization. The successor must:
 - I. Complete and sign a new Social Outbreak IBO agreement;
 - II. Comply with the terms and provisions of the IBO agreement; and
 - III. Meet all of the qualifications for the last rank achieved by the former IBO.
- B. Bonus and commission checks of a Social Outbreak business transferred based on this section will be paid in a single check to the successor. The successor must provide Social Outbreak with an "address of record" to which all bonus and commission checks

will be sent. Checks will be based on the current performance of the distributorship, not the highest rank or volume achieved.

- C. If the business is bequeathed to joint devisees (successor), they must form a business entity and acquire a Federal taxpayer identification number. Social Outbreak will issue all bonus and commission checks and one 1099 Miscellaneous Income Tax form to the business entity only.
- D. Appropriate legal documentation must be submitted to Social Outbreak Compliance Department to ensure the transfer is done properly. To affect a testamentary transfer of a Social Outbreak business, the successor must provide the following to Social Outbreak Compliance department:
 - I. A certified copy of the death certificate; and
 - II. A notarized copy of the will or other appropriate legal documentation establishing the successor's right to the Social Outbreak business.
- E. To complete a transfer of the Social Outbreak business because of incapacity, the successor must provide the following to Social Outbreak Compliance department:
 - I. A notarized copy of an appointment as trustee;
 - II. A notarized copy of the trust document or other appropriate legal documentation establishing the trustee's right to administer the Social Outbreak business; and
 - III. A completed IBO agreement executed by the trustee.
- F. If the successor is already an existing IBO, Social Outbreak will allow such IBO to keep his or her own distributorship plus the inherited distributorship active for up to 6 months. By the end of the 6 month period, the IBO must have compressed (if appropriate), sold or otherwise transferred either the existing distributorship or the inherited distributorship.
- G. If the successor wishes to terminate the Social Outbreak distributorship, he or she must submit a notarized statement stating the desire to terminate the distributorship, along with a certified copy of the death certificate, appointment as trustee, or other appropriate legal documentation.
- H. Upon written request, Social Outbreak may grant a 1 month bereavement waiver and pay out at the last "paid as" rank.

12.10 Resignation/Voluntary Termination

- A. A Social Outbreak IBO may voluntarily terminate his or her distributorship by failing to continue paying his or her monthly auto ship.
- B. An IBO may immediately terminate his or her distributorship by submitting a written notice to the Social Outbreak Customer Service Department. The written notice must include the following:
 - I. The IBO's intent to resign;
 - II. Date of resignation;
 - III. Social Outbreak Identification Number;
 - IV. Reason for resigning; and
 - V. Signature.
- C. A Social Outbreak IBO may not use resignation as a way to immediately change Sponsor and Placement. Instead, the IBO who has voluntarily resigned is not eligible to reapply for

a distributorship or have any financial interest in a Social Outbreak business for 6 months from the receipt of the written notice of resignation.

- D. After the 6 month period has expired, the IBO may, at the discretion of Social Outbreak, re-enroll under a different Sponsor and Placement.
- E. Social Outbreak retains the right to approve or deny any request to re-enroll following voluntary termination.

12.11 Involuntary Termination

- A. Social Outbreak reserves the right to terminate an IBO's distributorship for, but not limited to, the following reasons;
 - I. Violation of any terms or conditions of the IBO agreement;
 - II. Violation of any provision in these Policies and Procedures;
 - III. Violation of any provision in the Compensation Plan;
 - IV. Violation of any applicable law, ordinance, or regulation regarding the Social Outbreak business;
 - V. Engaging in unethical business practices or violating standards of fair dealing; or
 - VI. Returning over \$500 worth of products and sales tools for a refund within a 12 month period.
- B. Social Outbreak will notify the IBO in writing *by certified mail, return receipt requested or overnight documented mail*, at his or her last known address of its intent to terminate the IBO's distributorship and the reasons for termination. The IBO will have 15 calendar days from the date of mailing of such notice to respond in writing to the allegations or claims constituting cause for termination as stated in the notice. Social Outbreak will then have 30 calendar days from the date of receipt of the IBO's response to render a final decision as to termination.
- C. If a decision is made by Social Outbreak to terminate the IBO's distributorship, Social Outbreak will inform the IBO in writing that the distributorship is terminated effective as of the date of the written notification. The IBO will then have 15 calendar days from the date of mailing of such notice to appeal the termination in writing. Social Outbreak must receive the IBO's written appeal within 20 calendar days of the date of the Social Outbreak termination letter. If the written appeal is not received within this time period, the termination will be considered final.
- D. If the IBO does file a timely appeal of termination, Social Outbreak will review its decision, along with any other information it may deem relevant, reconsider any other appropriate action, and notify the IBO of its decision. The decision of Social Outbreak is then considered final and not subject to further review.
- E. If the termination is not rescinded, the termination will be effective as of the date of the original termination notice by Social Outbreak. The former IBO shall thereafter be prohibited from using the names, marks or signs, labels, stationery, advertising, or business material referring to or relating to any Social Outbreak products or services. Social Outbreak will notify the active Upline Sponsor within 10 days after termination. The organization of the terminated IBO will "roll up" to the active Upline Sponsor on record.
- F. The Social Outbreak IBO who is involuntarily terminated by Social Outbreak may not re-apply for a distributorship, either under his or her present name or any other name or entity, without the *express written consent of an officer of Social Outbreak, following a review by the Social Outbreak Compliance Committee*. In any event, such IBO may not re-apply for a distributorship for 12 months from the date of termination.

12.12 Effect of Cancellation

- A. Following an IBO's failure to pay their monthly auto ship, cancellation for inactivity, or voluntary or involuntary termination (collectively, a "cancellation") such IBO:
 - I. Shall have no right, title, claim or interest to any commission or bonus from the sales generated by the IBO's former organization or any other payments in association with the IBO's former independent distributorship.
 - II. Effectively waives any and all claims to property rights or any interest in or to the IBO's former Downline organization.
 - III. Shall receive commissions and bonuses only for the last full pay period in which he or she was active prior to cancellation, less any amounts withheld during an investigation preceding an involuntary cancellation, and less any other amounts owed to Social Outbreak.

13.0 DISCIPLINARY SANCTIONS

13.1 Imposition of Disciplinary Action - Purpose

- A. It is the spirit of Social Outbreak that integrity and fairness should pervade among its IBOs, thereby providing everyone with an equal opportunity to build a successful business. Therefore, Social Outbreak reserves the right to impose disciplinary sanctions at any time, when it has determined that an IBO has violated the agreement or any of these Policies and Procedures or the Compensation Plan as they may be amended from time to time by Social Outbreak.

13.2 Consequences and Remedies of Breach

- A. Disciplinary actions may include one or more of the following:
 - I. Monitoring an IBO's conduct over a specified period of time to assure compliance;
 - II. Issuance of a written warning or requiring the IBO to take immediate corrective action;
 - III. Imposition of a fine (which may be imposed immediately or withheld from future commission checks) or the withholding of commission checks (a Commission Hold) until the matter causing the Commission Hold is resolved or until Social Outbreak receives adequate additional assurances from the IBO to ensure future compliance;
 - IV. Suspension from participation in Company or IBO events, rewards, or recognition;
 - V. Suspension of the Social Outbreak IBO agreement and distributorship for one or more pay periods;
 - VI. Involuntary termination of the IBO's agreement and distributorship;
 - VII. Any other measure which Social Outbreak deems feasible and appropriate to justly resolve injuries caused by the IBO's policy violation or contractual breach;
OR
 - VIII. Legal proceedings for monetary or equitable relief.

14.0 DISPUTE RESOLUTION

14.1 Grievances

- A. If a Social Outbreak IBO has a grievance or complaint against another IBO regarding any practice or conduct relating to their respective Social Outbreak businesses, he or she is encouraged to resolve the issue directly with the other party. If an agreement cannot be reached, the IBO should seek assistance from his or her nearest Upline Presidential Diamond. If the matter still cannot be resolved, it must be reported directly to the Social Outbreak Compliance Department as outlined below in this Section.
- B. The Social Outbreak Compliance Department will be the final authority on settling such grievance or complaint and its written decision shall be final and binding on the IBOs involved.
- C. Social Outbreak will confine its involvement to disputes regarding Social Outbreak business matters only. Social Outbreak will not decide issues that involve personality conflicts or unprofessional conduct by or between IBOs outside the context of a Social Outbreak business. These issues go beyond the scope of Social Outbreak and may not be used to justify a Sponsor or Placement change or a transfer to another Social Outbreak organization.
- D. Social Outbreak does not consider, enforce, or mediate third party agreements between IBOs, nor does it provide names, funding, or advice for obtaining outside legal counsel.
- E. Process for Grievances:
 - I. The Social Outbreak IBO should submit a written letter of complaint (e-mail will not be accepted) directly to the Social Outbreak Compliance Department. The letter shall set forth the details of the incident as follows:
 - a. The nature of the violation;
 - b. Specific facts to support the allegations;
 - c. Dates;
 - d. Number of occurrences;
 - e. Persons involved; and
 - f. Supporting documentation.
 - II. Upon receipt of the written complaint, Social Outbreak will conduct an investigation according to the following procedures:
 - a. The Compliance Department will send an acknowledgment of receipt to the complaining IBO;
 - b. The Compliance Department will provide a verbal or written notice of the allegation to the IBO under investigation. If a written notice is sent to the IBO, he or she will have 10 business days from the date of the notification letter to present all information relating to the incident for review by Social Outbreak
 - c. The Compliance Department will thoroughly investigate the complaint, consider all the submitted information it deems relevant, including information from collateral sources. Due to the unique nature of each situation, determinations of the appropriate remedy will be on a case by case basis, and the length of time to reach a resolution will vary.
 - d. During the course of the investigation, the Compliance Department will only provide periodic updates simply stating that the investigation is ongoing. No other information will be released during this time. IBO calls, letters, and requests for "progress reports" during the course of the investigation will not be answered or returned.

- E. Social Outbreak will make a final decision and timely notify the Social Outbreak IBOs involved.

14.2 Arbitration

- A. Prior to instituting arbitration, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement through non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as mediator. The mediator's fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally between the parties. Each party shall pay its portion of the anticipated shared fees and costs at least ten (10) days in advance of the mediation. Each party shall pay its own attorneys fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in Las Vegas, Nevada, and shall last no more than two (2) business days.
- B. If mediation is unsuccessful, any controversy or claim arising out of or relating to the Social Outbreak IBO agreement, these Policies and Procedures, or the breach thereof, the IBO's business or any dispute between Social Outbreak and the IBO, shall be settled by binding 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. Any such arbitration shall be held in Las Vegas, Nevada, USA. There shall be one arbitrator, who shall have expertise in business law transactions and who shall be knowledgeable in the direct selling industry, selected from a panel provided by the American Arbitration Association.
- B. The prevailing party in any such arbitration shall be entitled to receive from the losing party, all costs and expenses of arbitration, including attorney's fees and filing fees not to exceed \$100,000. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to judgment in any court of competent jurisdiction.
- C. This agreement to arbitration shall survive any termination or expiration of the IBO agreement.
- D. Nothing in these Policies and Procedures shall prevent Social Outbreak from applying for or 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 Social Outbreak interests or its Confidential Information prior to, during or following the filing of an arbitration or other proceeding, or pending the rendition of a decision or award in connection with any arbitration or other proceeding.
- F. These Policies and Procedures and any arbitration involving an IBO and Social Outbreak shall be governed by and construed in accordance with the laws of the state of Nevada, without reference to its principles of conflict of laws.

14.3 Severability

- A. If any provision of these Policies and Procedures is found to be invalid, or unenforceable for any reason, only the invalid provision shall be severed. The remaining terms and provisions hereof shall remain in full force and shall be construed as if such invalid or unenforceable provision never had comprised a part of these Policies and Procedures.

14.4 Waiver

- A. Only an officer of Social Outbreak can, in writing, affect a waiver of the Social Outbreak Policies and Procedures. Social Outbreak's waiver of any particular breach by an IBO

shall not affect Social Outbreak's rights with respect to any subsequent breach, nor shall it affect the rights or obligations of any other IBO.

- B. The existence of any claim or cause of action of an IBO against Social Outbreak shall not constitute a defense to Social Outbreak's enforcement of any term or provision of these Policies and Procedures.

14.5 Successors and Claims

The agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

15.0 GOVERNING LAW

These Policies and Procedures shall be governed by and construed in accordance with the Laws of the State of Nevada and the exclusive jurisdiction of the United States courts.

16.0 SOCIAL OUTBREAK GLOSSARY OF TERMS

ACH (Automated Clearing House): A secure private network that enables electronic payments, such as automatic debit card purchases, to be handled and processed.

Active IBO: An active IBO is an IBO who has purchased one of the Social Outbreak packages (Primary, Premium, and Pinnacle) and remains active on a monthly auto ship.

Agreement: Refers to the Social Outbreak IBO agreement, these Policies and Procedures, Terms and Conditions, and the Social Outbreak Compensation Plan.

Auto Ship: A standing order that is automatically shipped on a monthly basis.

Customer: Anyone who has received Social Outbreak products or services but has not purchased a Social Outbreak IBO package or signed a Social Outbreak IBO agreement and who is listed in the Social Outbreak computer as a "Customer".

Distributorship: The sales organization of a Social Outbreak IBO, which includes all Downline Customers, and IBOs.

Downline: A sales organization comprised of Customers and IBOs sponsored below a particular IBO.

Inactive IBO: An IBO with an inactive auto ship.

IBO: An individual/entity who received a Social Outbreak username, purchased a Social Outbreak IBO product package, paid an enrollment fee and submitted a signed Social Outbreak IBO agreement. The IBO is an independent contractor and is not an employee of Social Outbreak.

Placement: An IBO's immediate Upline IBO. One who accepts frontline Customers or IBOs from his or her Sponsor or Upline to increase commissions, or rank.

Protected Prospect: Guest of a Social Outbreak IBO who attends a Social Outbreak IBO sponsored function or event.

Retail Customer: A Retail Customer is any person who is not in the Social Outbreak computer system and who orders and receives products or services directly from an independent Social Outbreak IBO.

Retail Price: The price a Customer pays who is not enrolled in Social Outbreak

Sales Organization: An IBO's Upline and Downline.

Sponsor: An IBO who recruits and enrolls new Customers or IBOs.

SOAN: Social Outbreak Approval Number; a number issued by the Compliance Department upon approval of an ad, event or other process requiring review and authorization.

Social Outbreak Compliance Committee: Will consist of a manager from Compliance, Social Outbreak's General Counsel, and at least 2 senior Executives from Social Outbreak.

Upline: A Customer or IBO's linkage to Social Outbreak by the Sponsor and Placement "tree" of the matrix

Wholesale Price: The price an IBO pays who is enrolled in Social Outbreak.