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26 DAGNALL, individually and on behalf of all  
27 others similarly situated persons

28 **UNITED STATES DISTRICT COURT**  
29 **CENTRAL DISTRICT OF CALIFORNIA**

30 CYNTHIA DAGNALL and MICHAEL  
31 DAGNALL, individually and on behalf of a class  
32 of similarly situated persons,

33 Plaintiffs,

34 vs.

35 ARBONNE INTERNATIONAL, LLC, DONNA  
36 JOHNSON, CASSANDRA HOUSE, TARRAH  
37 BRANDSMA, IAIN PRITCHARD, and  
38 DEBORAH CARROLL NEAL,

39 Defendants.

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Case No.: 8:17-cv-1214-DOC-KES

Hon. David O. Carter

**FIRST AMENDED COMPLAINT**

Complaint filed: May 25, 2017

1 Plaintiffs, Cynthia Dagnall and Michael Dagnall (“**Plaintiffs**”), individually, and on behalf of  
2 all others similarly situated, plead as follows against Defendants Arbonne International, LLC  
3 (“**Arbonne**”), Donna Johnson, Cassandra House, Tarrah Brandsma, Iain Pritchard, and Deborah  
4 Carroll Neal (the “**Individual Defendants**,” and, together with Arbonne, the “**Defendants**”).

### 5 I. PRELIMINARY STATEMENT

6 1. Arbonne is an international multi-level marketing company (a “**MLM**”) that  
7 reportedly generated \$541 million in net revenues in 2016. It also operates a pyramid scheme. Its  
8 many millions in revenues are primarily derived from bilking its hundreds of thousands of  
9 distributors. The Individual Defendants sit at the top of Arbonne. They profit from and help direct  
10 Arbonne’s unlawful operations. Plaintiffs seek, on their own behalves and on behalf of a class of  
11 similarly situated persons, to recover the money Arbonne wrongfully took from them.

12 2. A classic pyramid scheme operates as follows: recruits pay into the scheme for the  
13 right to receive compensation from the scheme based, in large part, on bringing new recruits into the  
14 scheme. Each recruit’s money is used to pay other recruits in the scheme (particularly more senior  
15 recruits), as well as the scheme promoter. The more recruits one brings in, and the closer to the top  
16 of the pyramid he is, the more money he might make. Recruits will necessarily lose their money  
17 unless they recruit enough new people into the scheme, who will also lose their money unless they  
18 recruit enough new people, and so on. Because there is little or no outside money flowing into the  
19 scheme from real operations (other than recruitment), because payments from recruits are shared  
20 disproportionately with the persons closer to the top of the pyramid, and because the scheme operator  
21 takes a healthy cut for himself, the vast majority of recruits are doomed to lose most or all of their  
22 investments.  
23  
24  
25

26 3. Arbonne is a pyramid scheme masquerading as a direct seller of health and beauty  
27 products. Participants in the Arbonne scheme are its so-called independent consultants (the  
28

1 “**Consultants**”). Arbonne requires them to purchase start-up packages and pay annual dues, and the  
2 Arbonne system makes it a virtual necessity that the distributors purchase Arbonne products—lots of  
3 them. In return, the Consultants receive the right to receive compensation based in primary part on  
4 their recruitment of new Consultants (who pay fees, pay dues, and purchase product). Just like a  
5 classic pyramid scheme, the more new Consultants a Consultant brings into the Arbonne program  
6 (and the more payments those new Consultants make), the more money a Consultant can make.

7  
8 4. Unlike participants in a classic pyramid scheme, the Arbonne Consultants receive  
9 health and beauty products, which the Consultants can theoretically sell. But that fact makes  
10 Arbonne no less a pyramid scheme. As a group, the Consultants may sell a limited amount of  
11 products at retail, but the bulk of the money paid to the Consultants comes from other Consultants.  
12 Just like a classic pyramid scheme, Consultants are feeding off the money paid by other Consultants.

13  
14 5. Arbonne’s sale of product to Consultants is merely a ruse to disguise payments to a  
15 pyramid scheme, much as if the promoter of the classic pyramid scheme described above “sold”  
16 participants \$100 toothpicks and the right to compensation from bringing in new participants to  
17 purchase \$100 toothpicks. The sale of toothpicks merely provides a mask of legitimacy to the  
18 pyramid scheme, allowing the promoter to claim he is a toothpick-seller rather than a pyramid  
19 scheme promoter. Here, rather than disguising pyramid scheme payments as purchases of overpriced  
20 toothpicks, Arbonne disguises the payments it receives as purchases of overpriced health and beauty  
21 products.

22  
23 6. Other than the theoretical possibility of selling Arbonne products for a profit, the  
24 financial incentives Arbonne provides its Consultants depend on recruiting junior Consultants.  
25 Arbonne offers its Consultants a variety of potential bonuses, and the most lucrative of these are  
26 based on purchases made by the Consultant and his or her junior Consultants. And without  
27  
28

1 recruiting, there are no junior Consultants. Thus, Arbonne's compensation system encourages and  
2 rewards recruiting.

3         7. At the same time, Arbonne provides meager incentives for retail sales. Consultants  
4 can theoretically purchase product at a wholesale price and sell it at retail for a profit, but achieving  
5 profitable retail sales is difficult. Arbonne products are readily available on eBay for the wholesale  
6 price charged Consultants—or less—and the price Arbonne charges for its wholesale products is  
7 greater than the price charged for comparable products by other brands. Profitably selling Arbonne  
8 product at retail is simply not a real money-making proposition.

9  
10         8. Moreover, Arbonne's system strongly encourages Consultants to buy more and more  
11 product, regardless of whether they need it for personal use or retail sales. Every month Consultants  
12 must (either through their own purchases or purchases made by persons in their "downlines") achieve  
13 certain levels of purchases to maintain their eligibility for each type of payment from Arbonne. This  
14 pressure to maintain their statuses incentivizes the Consultants to purchase product they do not need,  
15 just so they can maintain or elevate their statuses within the Arbonne ranking system.

16  
17         9. The vast majority of Arbonne's Consultants lose money. According to Arbonne's  
18 2016 Compensation Summary, Arbonne paid 86% of its Consultants \$0 in 2016. Arbonne only  
19 provided gross income numbers that do not account for the money the Consultants paid Arbonne, so  
20 the percentage of Consultants losing money in Arbonne is much higher than 86%.

21  
22         10. The only people who make money from the Arbonne pyramid scheme are the very  
23 few at the top of the pyramid. These few—including the Individual Defendants—profit from the  
24 payments to Arbonne made by the many thousands of other losing Consultants. Although the  
25 Individual Defendants know that almost everyone in Arbonne loses money, they have made millions  
26 through their promotion of the Arbonne pyramid scheme.

11. Plaintiffs seek to recover all monies they paid Arbonne, less any money Arbonne paid them. They also seek the certification of a class of Consultants who, like Plaintiffs, became Consultants in the Arbonne scheme and who received less from Arbonne than they paid Arbonne.

## II. PARTIES

### A. PLAINTIFFS

12. Plaintiff Cynthia Dagnall is, and at all materials times was, an individual who resides in the County of Williamson, in the state of Texas. Plaintiff Michael Dagnall is Cynthia Dagnall's husband. At all relevant times, Cynthia and Michael lived together.

### B. ARBONNE AND THE INDIVIDUAL DEFENDANTS

13. Defendant Arbonne is a Delaware corporation with its principal place of business in Irvine, California.

14. Defendant Donna Johnson is an individual residing in Cave Creek, Arizona.

15. Defendant Cassandra House is an individual residing in New South Wales, Australia.

16. Defendant Tarrah Brandsma is an individual residing in Parker, Colorado.

17. Defendant Iain Pritchard is an individual residing in Chester, United Kingdom.

18. Defendant Deborah Carroll Neal is an individual residing in Pittstown, New Jersey.

## III. JURISDICTION AND VENUE

19. Plaintiffs seek to hold Arbonne and the Individual Defendants liable for the operation and promotion of a pyramid scheme pursuant to 6 Del. C. §§ 2511-2516; 6 Del. C. §§ 2561-2564; Cal. Civ. Code § 1689.2 and Cal. Penal Code § 327; unjust enrichment; and the Federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961 *et seq.*

20. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because Plaintiffs bring claims under RICO. Pursuant to 28 U.S.C. § 1367, this Court may exercise

jurisdiction over Plaintiffs' state law claims because those claims and the RICO claims form a part of the same case or controversy under Article III.

21. Federal subject matter jurisdiction also arises under 28 U.S.C. § 1332(d) because (i) the amount in controversy exceeds \$5,000,000, exclusive of interest and costs, (ii) members of the proposed Class are citizens of different states from Arbonne, (iii) there are more than 100 members of the proposed Class, and (iv) fewer than one-third of the members of the proposed Class are residents of California.

22. All Defendants are subject to the personal jurisdiction of this Court.

- Arbonne maintains a principal place of business in Irvine, California and operates out of central California.
- The Arbonne pyramid scheme that is the subject of this Complaint was operated out of Irvine, California, and all Individual Defendants purposefully participated in the operation of the scheme.
- The Arbonne product the Individual Defendants encourage the Plaintiffs to buy was sold from California.
- On information and belief, the Individual Defendants participated in multiple in person and telephonic meetings held in this District regarding the operation of the Arbonne pyramid scheme at issue in this case.

23. In accordance with 18 U.S.C. § 1965(a) and (b), all of the Defendants are subject to this Court's jurisdiction in that they "transact affairs" in this District.

24. Venue is appropriate in this Court pursuant to 28 U.S.C. § 1391(b) because a substantial part of the events or omissions giving rise to the Plaintiffs' claims occurred in this District. Under 18 U.S.C. § 1965(a) and (b), venue is proper for Plaintiffs' RICO claims because Arbonne is headquartered and operates in this District and the ends of justice require that other parties residing in any other district be brought before this court.

#### IV. FACTUAL BACKGROUND

##### A. ARBONNE OPERATES A PYRAMID SCHEME

25. The essential characteristic of a pyramid scheme is the compensation of participants primarily derived from their recruiting new participants into the scheme. Little outside money comes into the scheme to compensate participants. The participants, knowingly or not, just feed off each other's payments into the scheme and are highly incentivized to bring new participants into the scheme. Arbonne's business model fits this description perfectly.

26. Arbonne requires its Consultants to pay money into the scheme. Arbonne purports to contract with its Consultants through several documents, including the Independent Consultant Application & Agreement (the "**Application**"); the Policies & Procedures ("**P&P**") (Ex. A); the Arbonne SuccessPlan; and the Independent Consultant Code of Ethics (collectively, the "**Contracts**").

27. Arbonne's P&P and SuccessPlan describe Arbonne's compensation structure. Per the P&P, "[t]o become an Arbonne Independent Consultant, one must electronically submit . . . the appropriate Registration Fee."<sup>1</sup> According to Arbonne's website, the amount of the Registration Fee is currently \$79.00. Only by paying the Registration Fee can a Consultant have access to the Arbonne compensation plan.

28. Consultants must also pay an annual Renewal Fee.<sup>2</sup> According to Arbonne's website, the amount of the Renewal Fee is currently \$30. If an Independent Consultant fails to renew, Arbonne will cancel the Consultant. Cancellation results in the Consultant's loss of his status earned prior to termination, and if the Consultant reenrolls, he does so at the bottom of the pyramid.

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<sup>1</sup> P&P at 6.

<sup>2</sup> P&P at 6.

29. But these Registration Fees and Renewal Fees represent only a small portion of the money Arbonne bilks from its Consultants. The Arbonne compensation system encourages and, as a practical matter, requires Consultants to pay Arbonne money through the purchase of products they do not otherwise want and cannot sell to receive compensation. The compensation system also strongly encourages recruiting—bringing new Consultants into the program (who will also contribute funds). The more Consultants a Consultant recruits, the greater that Consultant’s potential pay from Arbonne. *See infra* Section IV.A.1.

30. In addition, the most significant source of compensation for Consultants is other Consultants’ money. Relatively little money comes into the scheme from retail sales (*i.e.*, sales to persons who are not Consultants), so most of the money going out to Consultants from Arbonne necessarily originates from other Consultants. *See infra* Section IV.A.2. Just like a classic pyramid scheme, the Arbonne Consultants are feeding off each other’s payments to Arbonne, and the vast majority of Consultants will necessarily lose money because Arbonne keeps a large share of the payments for itself, and because the money is shared disproportionately amongst the Consultants.

31. The fact is that the large majority of Consultants lose money from their participation in Arbonne’s pyramid scheme, while a few Consultants at the top of the pyramid—like the Individual Defendants—and Arbonne grow rich. *See infra* Section IV.A.4.

**1. Arbonne’s Complicated Compensation Plan Incentivizes Consultants to Purchase Unneeded Product and to Recruit New Consultants**

32. Arbonne’s SuccessPlan<sup>3</sup> describes the terms under which Arbonne theoretically rewards the Consultants for their participation in the Arbonne system. Theoretically, baseline Consultants may earn money from retail sales. They may purchase Arbonne products for a 35% discount off the suggested retail price from Arbonne and sell them for a profit. They may also earn

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<sup>3</sup> Ex. B.



1 35% commissions from the purchases made by “**Registered Clients**”—persons who sign up on the  
2 Arbonne website, note that a particular Consultant directed them there, and purchase product directly  
3 from Arbonne at the full suggested retail price. They may also earn 15% commissions from the  
4 purchases made by “**Preferred Clients**”—persons who sign up on the Arbonne website, note that a  
5 particular Consultant directed them there, pay Arbonne a fee, and purchase product directly from  
6 Arbonne at a 20% discount.  
7

8 33. If Arbonne only offered rewards based on these retail sales, Arbonne would not be a  
9 pyramid scheme. These avenues of theoretically earning income do not require Consultants to bring  
10 new Consultants into the scheme so that the recruits’ payments into the scheme can be used to pay  
11 other Consultants. Nor does the potential for income from retail sales encourage Consultants to  
12 purchase more product than they want for their personal use or can sell at retail to qualify for  
13 Arbonne bonuses.  
14

15 34. But if Arbonne only offered Consultants the possibility of income through retail sales,  
16 Arbonne would make far less money because Consultants cannot make a meaningful income through  
17 retail sales of Arbonne’s overpriced products. For the reasons discussed herein, retail sales are not a  
18 significant source of income to Consultants. *See infra* Section IV.A.2.  
19

20 35. So, to incentivize Consultants to purchase lots of product, Arbonne offers a variety of  
21 bonuses through its overly complicated SuccessPlan. As described herein, each of these bonuses is  
22 designed to encourage Consultants (a) to purchase product they do not need and cannot sell, just so  
23 they can maintain or increase their status in the Arbonne organization, and (b) to recruit new  
24 Consultants who will do the same.

25 36. But each of these bonuses results in Consultants being paid with other Consultants’  
26 money. Relatively little money comes in to Arbonne from Retail Clients or Preferred Clients. Most  
27 of Arbonne’s sales are to the Consultants, and so the money Arbonne uses to pay bonuses to  
28

1 Consultants comes from other Consultants. In this way, Arbonne bears the most critical aspect of a  
 2 pyramid scheme: the payment of money to participants using other participants' money. Whether  
 3 they know it or not, the Consultants are feeding off each other, their payments from Arbonne  
 4 completely dependent upon an influx of new money from Consultants.

5 **a. Terminology relevant to understanding Arbonne's compensation structure**

6 37. Understanding how Arbonne manipulates and incentivizes its Consultants requires  
 7 understanding how Arbonne's complicated SuccessPlan works.

8 38. A basic concept in Arbonne (and any MLM) is the "**Downline**": the branching stream  
 9 of junior Consultants whose entry into Arbonne ultimately links back to a particular Consultant.  
 10 (Arbonne's materials use the term "SuccessLine" rather than Downline.)

11 39. Arbonne offers three primary types of bonuses: "**Overrides**," "**Cash Bonuses**," and  
 12 "**Mercedes-Benz Cash Bonuses**." The amount of Overrides, Cash Bonuses, and Mercedes-Benz  
 13 Cash Bonuses available to a Consultant depends upon their ranking within the Arbonne compensation  
 14 structure, and a Consultant's ranking is tied to the amount of product sales attributable to a  
 15 Consultant over particular time periods. In general, the more a Consultant purchases, and the more a  
 16 Consultant's Downline purchases, the more money Arbonne pays the Consultant.

17 40. The complicated formulas Arbonne uses to calculate a Consultant's compensation are  
 18 based on four approaches to measuring the amount of product purchases attributable to a Consultant:

- 19 • "**Retail Volume**" (or "**RV**") is an amount assigned to each Arbonne product. RV is usually,  
 20 but not always, the same as the retail price at which Arbonne products are sold to Retail  
 21 Customers.
- 22 • "**Override Volume**" (or "**OV**") is 65% of RV. A Consultant's purchase of an Arbonne  
 23 product with a \$100 RV would contribute \$65 to that Consultant's OV. OV is used in  
 24 calculating Overrides.
- 25 • "**Qualifying Volume**" (or "**QV**") is the metric used to assess a Consultant's rank in the  
 26 Arbonne SuccessPlan. When calculating a Consultant's QV, Arbonne counts the purchases  
 27 made by the Consultant's Downline, the Consultant himself, and the Consultant's Preferred  
 28

Clients and Registered Clients. For most products sold in the United States, QV is the same as the retail price (or RV).

- **“Personal Qualifying Volume” (or “PQV”)** is a subset of QV that includes the purchases made by the Consultant himself and the Consultant’s Preferred Clients and Registered Clients.

**b. Arbonne’s ranking system encourages Consultants to purchase product they do not need, and to recruit new Consultants**

**(1) Arbonne’s ranks and “breakaway” compensation structure**

41. The amount of a Consultant’s bonus is determined in part by the Consultant’s rank. The higher the Consultant’s rank, the more types of bonuses for which the Consultant is eligible to receive, and the greater the potential bonus.

42. The SuccessPlan provides for five ranks:

- 1) **Consultant**
- 2) **District Manager**
- 3) **Area Manager**
- 4) **Regional Vice President**
- 5) **National Vice President**

Despite the terminology, the ranks have nothing to do with geography. They relate solely to the amount of product purchases and number of recruits for which a Consultant is responsible.<sup>4</sup>

43. Ascending the Arbonne ranks depends upon a Consultant’s **“Central Group”** and her **“Generations.”** Arbonne uses a “breakaway” system in which junior Consultants who attain the same or higher rank of the senior Consultant who recruited them break away from the senior Consultant and become differently consequential to the senior Consultant’s Arbonne compensation. The Consultants who break away take their own Downlines with them, and the broken away Consultants and their Downlines become a Generation to the original Consultant. (This is somewhat

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<sup>4</sup> The SuccessPlan notes “executive” levels within each rung (*i.e.*, “Executive Area Manager”). The “executive” designation simply means that the Consultant has a Generation at that Consultant’s level. The “executive” designation is not important for this Amended Complaint.

like a kid leaving his parent's house and taking the grandchildren with him.) The remainder of the original Consultant's Downline is that Consultant's Central Group.

44. So, a Consultant's Central Group is comprised of their less-successful Downline. A Consultant's Generations are headed by his equally or more successful recruits.

45. Should a Consultant move up in rank above a Generation, or should the breakaway Consultant regress back below the Consultant that recruited him, that Generation folds back into the Consultant's Central Group. (This is somewhat like a kid returning home to his parent's house and bringing the grandchildren with him should his career be less successful than anticipated.)

46. The name of a Consultant's Central Group changes as the Consultant ascends the ladder (Central District, then Central Area, then Central Region, and finally Central Nation), but the concept is the same for each rung of the ladder: the Central Group is the Consultant's Downline, less the Consultant's Generations (those junior Consultants (along with the junior Consultants' Downlines) who have climbed the ladder to a rung equal to or above the rung occupied by the Consultant at issue).

## **(2) Ascending the Arbonne ranks: Consultant to District Manager**

47. The first step in the Arbonne compensation structure is from baseline Consultant to District Manager. The incentive to make this step is significant because Arbonne does not provide any bonuses to baseline Consultants. They can only earn a profit through retail sales, and retail sales is not a significant source of compensation to Consultants.

48. To move from Consultant to District Manager, a Consultant must first enter a "qualification period." A Consultant does this by accumulating 1,000 in PQV over one-to-three months or 2,500 QV in one month. Then, after qualification, the Consultant must achieve:

- 6,000 QV in one month, 6,000 QV over two consecutive months, or 7,500 QV over three consecutive months;
- A minimum of 2,500 QV in the last month of the qualification period; **and**

- A minimum of 1,000 PQV over the qualification period.

49. The “**1,000 PQV Qualification Requirement**” requires the purchase of a stunning amount of product. For example, to achieve 1,000 PQV, a Consultant, their Preferred Clients (if any), and their Retail Clients (if any) could purchase the following:

| <b><u>Product</u></b>                           | <b><u>QV</u></b> |
|---|------------------|
| Smoothing Facial Cleanser (3 oz.)               | 42               |
| Regenerating Toner (1.7 oz.)                    | 37               |
| Corrective Eye Crème (0.5 oz.)                  | 60               |
| Nourishing Facial Oil (1 oz.)                   | 75               |
| Lifting and Contouring Eye Cream (0.5 oz.)      | 60               |
| Nourishing Body Wash (6.7 oz.)                  | 37               |
| Hydrating Body Lotion (6.7 oz.)                 | 46               |
| Firming Body Cream (6.7 oz.)                    | 70               |
| Collagen Support Dietary Supplement (60 pills)  | 49               |
| Men’s Shave Cream (5 oz.)                       | 27               |
| Men’s After-Shave Soothing Lotion (3 oz.)       | 36               |
| Anti-Aging Moisturizer with Sunscreen (1.7 oz.) | 52               |
| Mattifying Powder (0.25 oz.)                    | 29               |
| Deep Cleansing Mask (3 oz.)                     | 35               |
| Nurturing Day Lotion (1.7 oz.)                  | 43               |
| Moisturizing Night Crème (1.7 oz.)              | 45               |
| Exfoliating New Cell Scrub (4 oz.)              | 34               |
| Genius Nightly Resurfacing Pads & Solution      | 98               |
| Shampoo with Tea Tree Oil (18 oz.)              | 32               |
| Rejuvenating Body Mist (4 oz.)                  | 21               |
| Massage Oil (8 oz.)                             | 39               |
| Pure Mint Deodorant (1.7 oz.)                   | 17               |
| Pure Mint Toothpaste (5 oz.)                    | 17               |
| <b>TOTAL</b>                                    | <b>1001</b>      |

50. Clearly, no one person would want for personal use all the product required to satisfy the 1,000 PQV Qualification Requirement over a qualification period. Yet this 1,000 PQV Qualification Requirement incentivizes Consultants to purchase product to raise their status to District Manager. Purchases by junior Consultants and their Downlines do not count toward PQV. Sales to Registered Clients and Preferred Clients count toward PQV, but these are not a reliable source for accumulating PQV. But personal purchases do count toward PQV, so Consultants are incentivized to purchase product they do not need to meet the 1,000 PQV Qualification Requirement.

51. The QV requirements for reaching the District Manager rank incentivizes Consultants (a) to purchase product to raise their status and (b) to recruit new Consultants whose purchases will

1 help the Consultant meet the District Manager QV requirements. A Consultant's own purchases  
 2 count toward QV as well as PQV, and Consultants are thus incentivized to purchase product for the  
 3 purpose of moving up to District Manager. The purchases made by a Consultant's complete  
 4 Downline also count toward QV, so a Consultant is incentivized to recruit new product-purchasing  
 5 Consultants (who will recruit more product-purchasing Consultants) to help satisfy the QV  
 6 requirements.

### 8 (3) Ascending the Arbonne ranks: Area Manager and above

9 52. The requirements for ascending to Area Manager, Regional Vice President, and  
 10 National Vice President are all based on QV accumulated by the Consultant's Central Group and, to a  
 11 more limited extent, by their Generations.

12 53. Arbonne limits the amount of the QV accumulated by a Consultant's Generations that  
 13 may count toward the QV requirements. First, only first Generations count at all toward QV  
 14 requirements. Second, the only first Generations that count are those newly originated first  
 15 Generations. Third, the numerical amount of the QV of those newly originated first Generations that  
 16 can count toward QV requirements is limited. In this way, no matter how well a Consultant's  
 17 breakaway junior Consultants are performing, ascension up the ranks requires Consultants to  
 18 continually purchase product and recruit new Consultants (who will purchase product and recruit new  
 19 Consultants).

21 54. The QV requirements for ascending past District Manager include the following:

22 District Manager → Area Manager:

- 23 • 24,000 QV over 2 months or 30,000 QV over 3 months
- 24 • Minimum 2,500 QV in Central District in each month
- 25 • Maximum 10,000 QV from each 1<sup>st</sup> Generation new District Manager's Downline

26 Area Manager → Regional Vice President:

- 27 • 96,000 QV over 2 months or 120,000 QV over 3 months
- 28 • Maximum 40,000 QV from each 1<sup>st</sup> Generation new Area Manager's Downline

1 Regional Vice President → National Vice President:

- 2 • 384,000 QV over 2 months or 480,000 QV over 3 months
- 3 • Maximum 160,000 QV from each 1<sup>st</sup> Generation new Regional Vice President's
- 4 Downline

5 55. These QV requirements encourage Consultants to purchase product they do not need  
6 to move up in the Arbonne ranks. For example, a Consultant who was close to meeting the  
7 requirements to move to, say, Area Manager, will face significant pressure to purchase more Arbonne  
8 product simply to meet the requirements.

9 56. These QV requirements also pressure Consultants to recruit new Consultants, who will  
10 purchase Arbonne product and contribute to a Consultant's QV accumulation. Of course, those new  
11 Consultants will feel the same pressure to accumulate QV themselves, which breeds ever more  
12 recruiting.

#### 13 (4) Continuing requirements to maintain status and qualify for bonuses

14 57. In addition to effectively requiring Consultants to purchase product and recruit new  
15 Consultants to ascend the Arbonne ranks (and access greater bonuses), Arbonne imposes numerous  
16 requirements for maintaining an achieved status and for accessing Arbonne's bonuses.

17 58. **First**, a person may become a Consultant simply by filling out an application form  
18 (either on paper or electronically) and paying the Registration Fee. But for a baseline Consultant to  
19 remain a Consultant, he must fulfill the "**12-in-12 Requirement**": accumulating 1,200 PQV over the  
20 first full twelve-months the Consultant is a Consultant, and every twelve-month period after that.  
21 Consultants who fail to satisfy this 12-in-12 Requirement are demoted to Preferred Client status,  
22 assuming the Consultant has paid her Renewal Fee. (The 12-in-12 Requirement is replaced by  
23 different maintenance requirements for Consultants who elevate up the SuccessPlan ladder.)

24 59. This 12-in-12 Requirement encourages Consultants to purchase product they do not  
25 need, just to maintain their Consultant status and participate in Arbonne's SuccessPlan. It is, as a  
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27  
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1 practical matter, a “pay to play” requirement because it is measured by PQV. Although PQV can  
 2 theoretically be accumulated through sales to Registered Clients and Preferred Clients, such sales are  
 3 an unreliable source of PQV. Because PQV cannot be accumulated from junior Consultants’  
 4 purchases, the real focus of the 12-in-12 Requirement is to get Consultants to purchase product  
 5 themselves.

6  
 7 60. **Second**, once a Consultant elevates to District Manager, Area Manager, Regional Vice  
 8 President, or National Vice President, the Consultant must accumulate the following amounts of QV  
 9 in his Central Group every month:<sup>5</sup>

- 10 • District Manager: 2,500 QV
- 11 • Area Manager: 10,000 QV
- 12 • Regional Vice President 40,000 QV
- 13 • National Vice President 160,000 QV

14 61. These monthly QV requirements encourage Consultants (a) to purchase product solely  
 15 to maintain their statuses and (b) to recruit new Consultants who will purchase product.

16 62. **Third**, to be eligible for any bonus compensation in a month, Consultants of all levels  
 17 must have 150 PQV in that month (the “**150 Monthly PQV Requirement**”). No matter how strong a  
 18 Consultant’s performance in a month was otherwise, unless the Consultant had 150 PQV in that  
 19 month, the Consultant would receive no bonus compensation.

20 63. For the reasons discussed above with respect to other PQV requirements, the 150  
 21 Monthly PQV Requirement encourages Consultants to purchase product they do not need solely to  
 22 access Arbonne’s compensation system.

23  
 24  
 25  
 26  
 27 <sup>5</sup> Arbonne allows Consultants to “bank” extra QV in a “Performance Account” to meet these monthly maintenance  
 28 requirements. Consultants are also allowed to accumulate QV in their Performance Account for two months after  
 elevation to a new rank before having to meet the new, higher monthly maintenance requirements.



**c. How Arbonne calculates bonuses incentivizes Consultants to purchase product and recruit new Consultants**

64. The preceding sub-section (b) discusses how Arbonne's requirements for advancing up the Arbonne ranks and for maintaining status encourage (and, as a practical matter, require) Consultants to purchase product they do not otherwise need and to recruit new Consultants to purchase product and to recruit new Consultants. This subsection (c) discusses how Arbonne's manner of calculating its three bonuses—Override Bonuses, Cash Bonuses, and Mercedes-Benz Cash Bonuses—encourages the same activity.

**(1) Override Bonuses incentivize Consultants to purchase product and recruit new Consultants**

65. The Override Bonus is a percentage of the OV accumulated by a Consultant's Downline, subject to several rules. (As noted above, OV is roughly 65% of a product's suggested retail price.)

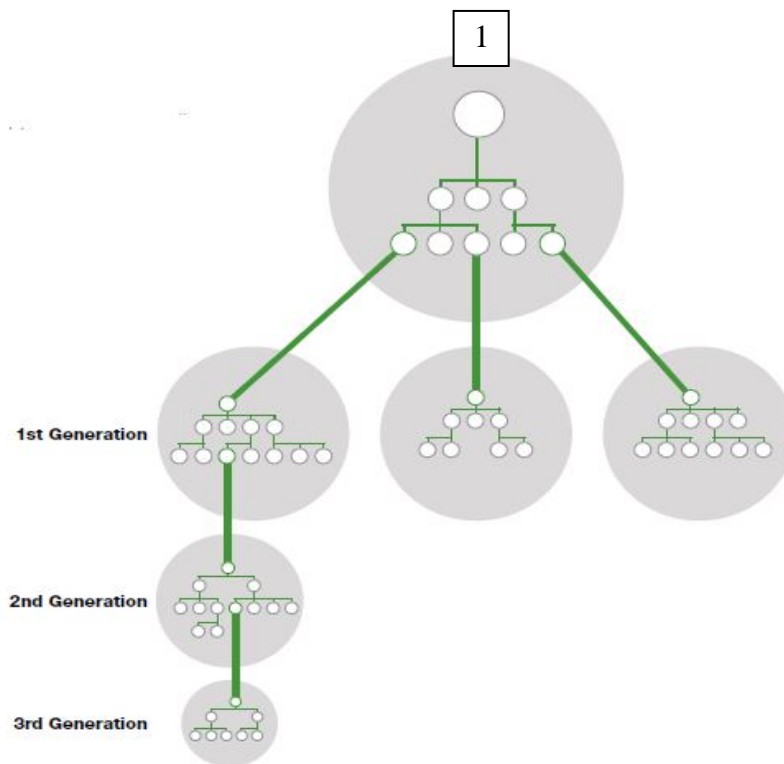
66. Baseline Consultants receive no Override bonus. District Managers may receive an 8% Override Bonus on the OV accumulated by that District Manager's Central District. So, if the OV in a District Manager's Central District for a month was 5,000, the District Manager could receive a \$400 Override payment from Arbonne.

67. District Managers may also earn an 8% Override Bonus on their 1<sup>st</sup> Generation Districts. So if Consultant Bob is in District Manager Mary's Downline, and Bob ascends to District Manager, Mary may earn an 8% Override Bonus on the OV accumulated by Bob's District, too.

68. District Managers may earn a 2% Override Bonus on 2<sup>nd</sup> District Generations and a 1% Override Bonus on 3<sup>rd</sup> District Generations, but only if they have 2 and 3 1<sup>st</sup> District Generations. In other words, Arbonne will only pay District Managers as deep (up to 3 Generations) as they are wide. So, to continue the prior hypothetical, if one of Bob's junior Consultants (Ray) reaches the District Manager level, as does Ray's junior Consultant Betty, Mary now has 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup>

1 Generation Districts. But unless Mary has another 1<sup>st</sup> Generation District in addition to Bob's, she  
 2 will not receive an Override Bonus on Ray's District. And she will need two 1<sup>st</sup> Generation Districts  
 3 in addition to Bob's to receive an Override Bonus on Betty's District.

4 69. For example:



District Manager 1 earns 8% of the OV of his Central District.

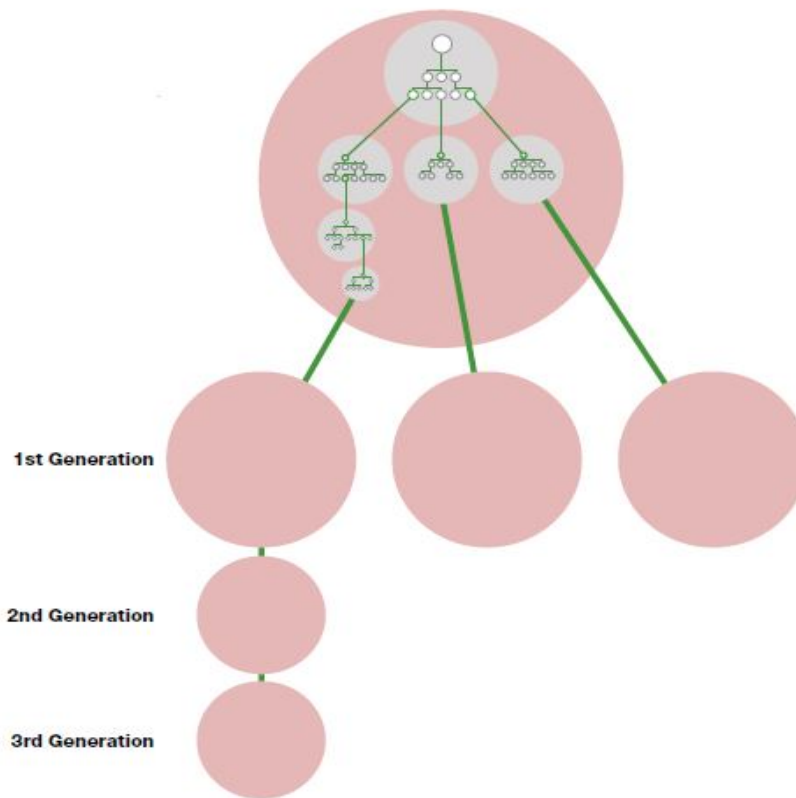
District Manager 1 earns 8% of the OV of each of these 1<sup>st</sup> Generation Districts.

District Manager 1 will also earn 2% of the OV of the 2<sup>nd</sup> Generation District and 1% of the 3<sup>rd</sup> Generation District, since he has 3 1<sup>st</sup> Generation Districts.

19 70. Area Managers earn all of the Override Bonuses that District Managers do, plus more.

20 Area Managers earn an additional 6% on their Central Area and 6% on their 1<sup>st</sup> Generation Areas.  
 21 They may also earn 1% on each of their 2<sup>nd</sup> and 3<sup>rd</sup> Generation Areas, but (as with Districts) they can  
 22 only go as deep as they are wide.

71. For example:



District Manager 1 is now an Area Manager. He receives all the same Override Bonus as he did before as a District Manager. He also receives 6% of the OV of his Central Area. This means he will be bonused twice on the OV for which he was bonused as a District Manager.

He also receives 6% of the OV of his 1<sup>st</sup> Generation Areas.

He also receives 1% of the OV for each of his 2<sup>nd</sup> and 3<sup>rd</sup> Generation Areas, since he is 3 Area Generations wide.

72. Regional Vice Presidents receive all the Override Bonuses as do Area Managers, plus more. Area Managers may receive 3% of the OV of their Central Region, 3% of the OV of their 1<sup>st</sup> Generation Region, and 2% of the OV of each of their 2<sup>nd</sup> and 3<sup>rd</sup> Generation Regions. Regional Vice Presidents only receive Override Bonuses on their 2<sup>nd</sup> or 3<sup>rd</sup> Generation Regions if they have 2 or 3 1<sup>st</sup> Region Generations wide.

73. Finally, National Vice Presidents receive all the Override Bonuses as do Regional Vice Presidents, plus more. They receive 1% of the OV accumulated by their Central Nations and their 1<sup>st</sup> through 6<sup>th</sup> Nation Generations, subject to the requirement that they can only go as deep as they are wide.

74. One additional rule of note regards the treatment of Downline Consultants who achieve a rank above their senior Consultants. These “over-achieving” Consultants and the OV

1 accumulated by their Downlines are removed from the calculation of OV for the lower-ranked  
 2 Consultants upline from them (the “**Over-achiever Rule**”).

3 75. So, to return to the hypothetical of Bob and Mary described above, if Bob moves up to  
 4 Regional Vice President and Mary remains in a lower rank, Mary earns no Override Bonus from any  
 5 OV accumulated by Bob and his Downline. If Mary catches back up to Bob and ascends to Regional  
 6 Vice President (or if Bob slips back to Mary’s level), she can again earn an Override Bonus from the  
 7 OV accumulated by Bob’s Downline.  
 8

9 76. The way Arbonne calculates Override Bonuses heavily incentivizes Consultants to  
 10 recruit new Consultants. The more new Consultants a Consultant recruits, the more potential there is  
 11 to grow OV, which will mean larger bonuses. The more new Consultants a Consultant recruits, the  
 12 more potential there is for that Consultant to develop sufficient 1<sup>st</sup> Generations for him to receive  
 13 Override Bonuses on his 2<sup>nd</sup> and 3<sup>rd</sup> Generations.  
 14

15 77. Also, the way Arbonne calculates Override Bonuses incentivizes Consultants to  
 16 purchase product they do not need. First, Consultants are pressured to purchase product to meet the  
 17 requirements for ascending the ranks and maintaining an already achieved rank so as to access the  
 18 greater Override Bonuses available to the higher ranks. Second, the Over-achiever Rule highly  
 19 incentivizes Consultants with an over-achieving junior Consultant in their Downline to purchase  
 20 product so that they may keep up with the over-achiever. If they do not, they will lose the ability to  
 21 earn an Override Bonus on the OV accumulated by the over-achiever and her Downline.  
 22

23 **(2) How Arbonne determines Cash Awards incentivizes Consultants to**  
 24 **purchase product and expressly rewards recruiting new Consultants**

25 78. Arbonne makes available monthly Cash Bonuses at the District Manager, Area  
 26 Manager, Regional Vice President, and National Vice President levels.  
 27  
 28

1           79.     A District Manager may receive a \$200 Cash Bonus in a month if her Central District  
 2 had at least 5,000 QV and a minimum of **five** new Consultants or Preferred Clients with at least 150  
 3 PQV each in their start month.

4           80.     An Area Manager may receive the greater of the District Manager \$200 Cash Bonus  
 5 (subject to the same requirements as a District Manager) or a \$400 Cash Bonus if her Central Area  
 6 had at least 20,000 QV and a minimum of **ten** new Consultants or Preferred Clients with at least 150  
 7 PQV each in their start month.

8           81.     Regional Vice Presidents and National Vice Presidents may receive the greater of the  
 9 District Manager \$200 Cash Bonus, the \$400 Area Manager Cash Bonus (subject to the same  
 10 requirements as a District or Area Manager), or a \$600 Vice President Cash Bonus if her Central  
 11 Region accumulated at least 60,000 QV and a minimum of **thirty** new Consultants or Preferred  
 12 Clients with at least 150 PQV each in their start month.

13           82.     These Cash Bonuses expressly reward recruiting new product-purchasing Consultants.

14           83.     The QV requirements for these Cash Bonuses encourage recruiting and the purchase  
 15 of additional, otherwise unwanted product for the same reasons QV requirements for advancement in  
 16 the ranks encourages purchasing excess product.

17  
 18  
 19                   **(3) Arbonne's Mercedes-Benz Cash Bonuses encourage recruiting and the**  
 20                   **purchase of otherwise unwanted product**

21           84.     Regional Vice Presidents and National Vice Presidents may receive Mercedes-Benz  
 22 Cash Bonuses. This Bonus is a monthly amount of money to be used by Regional Vice Presidents  
 23 and National Vice Presidents to lease or buy a white Mercedes-Benz. Arbonne requires proof that the  
 24 Consultant has leased or financed the purchase of a Mercedes-Benz before Arbonne will pay the  
 25 Mercedes-Benz Cash Bonus.

26           85.     Regional Vice Presidents may receive Mercedes-Benz Cash Bonuses of \$200, \$400, or  
 27 \$600 if their Central Regions have monthly QV of at least 25,000, 35,000, or 40,000, respectively.  
 28

1           86. National Vice Presidents may receive Mercedes-Benz Cash Bonuses of \$600, \$800, or  
2 \$1,000 if their Central Nations have monthly QV of at least 100,000, 120,000, or 160,000,  
3 respectively.

4           87. The QV requirements for these Mercedes-Benz Cash Bonuses encourage recruiting  
5 and the purchase of additional, otherwise unwanted product for the same reason that all of Arbonne's  
6 QV requirements encourage these activities. These Bonuses are particularly insidious because  
7 Consultants who lease or buy the cars are still obligated to make the lease or note payments, even if  
8 their Arbonne rank declines such that they are no longer eligible for the Bonus. They will thus be  
9 highly incentivized to make sure their rank does not decline.  
10

11           **2. Arbonne Pays Distributors Overwhelmingly More for Recruiting New**  
12           **Consultants than for Retail Sales**

13           88. As discussed above, Arbonne's SuccessPlan requires and incentivizes Consultants to  
14 pay Arbonne more and more money. Arbonne requires Consultants to pay Registration Fees and  
15 Renewal Fees. Then the most significant forms of compensation paid by Arbonne to Consultants—  
16 Override Bonuses, Cash Bonuses, and Mercedes-Benz Cash Bonuses—encourage Consultants to  
17 purchase more and more product so that they will attain a higher rank and so that they will retain their  
18 statuses. Indeed, to achieve these bonuses, as a practical matter Consultants must purchase more  
19 product. Moreover, as discussed above, each of Arbonne's Bonuses incentivizes recruiting—  
20 bringing more fee-paying, product-purchasing Consultants into the scheme.  
21

22           89. Thus, just like a classic pyramid scheme, the Arbonne scheme requires and  
23 incentivizes participants to put money into the scheme and rewards participants who bring in new  
24 participants.  
25

26           90. And, as discussed in this section, just like a classic pyramid scheme, Arbonne pays  
27 Consultants with other Consultants' money. This is undeniably true because the majority of money  
28

1 coming in to Arbonne comes from the Consultants. Arbonne receives some money from Registered  
2 Clients and Preferred Clients, but most of its revenues come from sales to Consultants.

3 91. It is theoretically possible that Consultants could sell the product they purchased from  
4 Arbonne for a profit, just as it is theoretically possible that the hypothetical participant in the  
5 toothpick scheme described above could sell individual toothpicks at retail for more than \$100 each.  
6 But, for the reasons discussed herein, most Arbonne Consultants are stuck with Arbonne products  
7 they cannot profitably sell and would not have purchased absent their attempts to participate in the  
8 Arbonne SuccessPlan.  
9

10 92. Plaintiffs' own experience, and the experience of other Arbonne Consultants with  
11 whom they have spoken, indicate that selling Arbonne products at retail for a profit is extremely  
12 difficult and not a significant source of income.

13 **a. Few Consultants can profitably sell Arbonne products to retail customers**  
14 **because the products are readily available online for at or near the price**  
15 **Arbonne charges Consultants**

16 93. One of the reasons Consultants cannot profitably sell Arbonne products is that they are  
17 readily available online for at or near the wholesale price—the price Arbonne charges Consultants.

18 94. The following chart compares Arbonne's retail and wholesale prices for products with  
19 the prices available for the same products in new condition on eBay:

| <u>Product</u>                          | <u>Retail</u> | <u>Wholesale</u> | <u>eBay</u> |
|---|---------------|------------------|-------------|
| Smoothing Facial Cleanser               | \$42.00       | \$33.60          | \$25.00     |
| Regenerating Toner                      | \$37.00       | \$24.05          | \$10.99     |
| Intensive Renewal Serum                 | \$62.00       | \$40.30          | \$14.99     |
| Corrective Eye Crème                    | \$60.00       | \$39.00          | \$14.99     |
| Nourishing Facial Oil                   | \$75.00       | \$48.75          | \$19.99     |
| Restorative Day Crème Broad SPF         | \$52.00       | \$33.80          | \$40.00     |
| Night Repair Crème                      | \$85.00       | \$55.25          | \$38.99     |
| Arbonne Intelligence Genius Resurfacing | \$98.00       | \$63.70          | \$42.00     |
| Lifting and Contouring Eye Cream        | \$60.00       | \$39.00          | \$21.50     |
| Age -Defying Neck Cream                 | \$84.00       | \$54.60          | \$19.95     |
| Instant Lift Gel                        | \$48.00       | \$31.20          | \$25.00     |
| Nourishing Body Wash                    | \$37.00       | \$24.05          | \$24.99     |
| Hydrating Body Lotion                   | \$46.00       | \$29.90          | \$17.50     |
| Firming Body Cream                      | \$70.00       | \$45.50          | \$12.99     |
| Collagen Support Dietary Supplement     | \$49.00       | \$31.85          | \$19.99     |



|   |  |         |         |         |
|---|--|---------|---------|---------|
| 1 | FC5 Purifying Cleanser + Toner             | \$30.00 | \$24.00 | \$19.50 |
|   | Oil- Absorbing Day Lotion Broad Spectrum   | \$43.00 | \$34.40 | \$27.95 |
| 2 | Mattifying Powder                          | \$29.00 | \$18.85 | \$15.08 |
|   | Deep Cleansing Mask                        | \$35.00 | \$22.75 | \$18.00 |
| 3 | Nourishing Facial Oil                      | \$75.00 | \$48.75 | \$29.99 |
|   | Genius Booster Serum for the Body          | \$55.00 | \$35.75 | \$13.99 |
| 4 | Lip Treatment                              | \$38.00 | \$24.70 | \$ 9.95 |
|   | Rejuvenating Cream                         | \$42.00 | \$27.30 | \$25.00 |
| 5 | Daily Self-Adjusting Shampoo with Tea Tree | \$32.00 | \$25.60 | \$20.80 |
|   | Thermal Fusion Hair & Scalp Revitalizer    | \$32.00 | \$20.80 | \$ 9.75 |
| 6 | Calm Gentle daily Cleanser                 | \$28.00 | \$18.20 | \$19.00 |
|   | Calm Soothing Facial Serum                 | \$47.00 | \$30.55 | \$19.50 |
| 7 | daily moisturizer arbonne                  | \$40.00 | \$26.00 | \$20.00 |
|   | Calm Soothing Eye Gel                      | \$31.00 | \$20.15 | \$ 2.75 |

8 95. The ready availability of Arbonne's products for prices near the wholesale price  
9  
10 increases the difficulty of selling the product for greater than the wholesale price.

11 96. Moreover, these eBay sellers are likely Consultants stuck with product they cannot sell  
12 for a profit. Thus, the existence of these sellers supports the proposition that the products are unlikely  
13 to be sold at retail for a significant profit.

14 **b. Few Consultants can profitably sell Arbonne products to retail customers**  
15 **under the restrictions Arbonne places on Consultants**

16 97. Arbonne contractually prohibits Consultants from selling the products in the only fora  
17 where Consultants could reasonably expect to sell enough product to make a meaningful product:  
18 ecommerce cites. Arbonne's September 2014 Policies and Procedures provides as follows:

19 In order to maintain the integrity of the Arbonne brand name, product line and the  
20 Client/Arbonne Independent Consultant relationship, Arbonne Independent  
21 Consultants may only sell Arbonne products online, including current and past  
22 Arbonne merchandise, campaign materials and any other promotional materials  
23 (collectively, "Products") through the Arbonne Replicated Website Program. Any  
24 online sales media, including independent websites, online retail stores, e-commerce  
sites, blogs, online malls or auction sites, such as, but not limited to, eBay, Amazon,  
25 Craigslist and Groupon are prohibited. Sales of products on eBay, Amazon or other  
26 auction or online retail sites shall result in immediate suspension followed by  
27 disciplinary sanctions.

28 98. The "Arbonne Replicated Websites" are not a significant platform for sales. These  
websites (as the name suggests) are just replications of the Arbonne website, with some additional  
personal information regarding the Consultant. Persons purchasing through a replicated Arbonne



1 website are simply purchasing directly from Arbonne at Arbonne's suggested retail or preferred  
2 customer prices.

3 99. In addition, Arbonne forbids its Consultants from selling Arbonne products in almost  
4 all brick-and-mortar establishments:

5 Arbonne is a person-to-person marketing company. Presentations, business meetings  
6 and personal contacts of Arbonne Independent Consultants are the primary  
7 permissible venues where Arbonne products and the opportunity are intended to be  
8 presented. Arbonne does not authorize its products to be sold or displayed in retail  
9 outlets. Arbonne products may not be displayed and/or sold to the general public in  
10 any office or business/commercial outlet, or through home shopping network  
11 programs (e.g., HSN, QVC).

12 Examples of outlets that may not sell Arbonne products or display Arbonne Tools or  
13 other promotional materials include, but are not limited to: department stores, beauty  
14 supply stores, supermarkets, drug stores, health food stores, discount establishments,  
15 swap meets, mall carts, kiosks and flea markets.

16 As a limited exception to the foregoing rule, product may be sold or displayed in: (1)  
17 offices and other areas located in private clubs or membership-only gyms that are not  
18 accessible to, or in view of, the general public; or (2) the private offices of  
19 professionals who operate by appointment only (e.g., doctors, dentists, chiropractors,  
20 etc.) and beauty salons. Even within this exception, Arbonne products may not be  
21 displayed in public view, such as in a window display.

22 100. Arbonne seeks to limit the Consultants to one-on-one situations in private locations  
23 (such as the Consultant's or a friend's home), but achieving significant, profitable retail sales by this  
24 method is extremely difficult.

25 101. Plaintiffs do not contend that Consultants make no profitable retail sales at all. But  
26 Plaintiffs do allege that relatively little of the funds used to compensate Consultants—including both  
27 money paid Consultants by Arbonne and proceeds from retail sales—comes from retail sales, and the  
28 vast majority comes from Consultants' payments to Arbonne. Thus, the Consultants are primarily  
feeding off each other, just as in a classic pyramid scheme.

**c. Arbonne has little interest in retail sales**

102. Arbonne's disinterest in retail sales is evident in several ways. First, as discussed at  
length above, Arbonne rewards its Consultants primarily based on the QV and PQV accumulated by  
Consultants and their Downlines. QV and PQV is comprised primarily of purchases made by

1 Consultants. Purchases by Retail Customers and Preferred Customers factor into QV and PQV, but  
 2 for the reasons discussed, there are relatively few of those purchases. If Arbonne were truly focused  
 3 on retail sales, it would calculate QV and PQV based *solely* on purchases made by Retail Customers  
 4 and Preferred Customers because these sales are verifiably to retail customers.

5 103. Second, Arbonne does not effectively track retail sales. If Arbonne cared about retail  
 6 sales, it would have some way to track them, such as by requiring all retail sales to be made through  
 7 the Arbonne website. Arbonne's bonuses and compensation structure could then be tied to the  
 8 Consultants' verifiable retail sales. But instead, Arbonne sells its product to the Consultants and has  
 9 no ability to verify that Consultants are actually making retail sales.  
 10

11 104. Third, its prohibition on Consultant sales through e-commerce platforms confirms that  
 12 Arbonne has little interest in retail sales. Dozens of producers of nutritional supplements, makeup,  
 13 and skin care products sell their products on e-commerce platforms. If Arbonne really wanted its  
 14 Consultants to sell to retail customers, it would allow them to sell through e-commerce sites.  
 15

16 105. Arbonne has limited interest in whether its Consultants sell its products to retail  
 17 purchasers because Arbonne's true customers are its Consultants. Arbonne is able to sell its  
 18 overpriced products to its Consultants because Arbonne is selling them something more than  
 19 products: it sells them the dream of making money by participating in Arbonne's SuccessPlan.  
 20 Arbonne restricts the ways in which its Consultants can sell its products so that the Consultants must  
 21 meet face-to-face with potential customers where they, too, can sell the "business opportunity," as  
 22 well as the product.  
 23

### 24 **3. Arbonne Operates a Pyramid Scheme Despite its Smokescreen Policies**

25 106. As discussed above, just like a classic pyramid scheme, Arbonne requires and  
 26 incentivizes its Consultants to pay it money for the opportunity to receive compensation from  
 27 Arbonne and incentivizes its Consultants to recruit new people into the scheme. And as in a classic  
 28

1 pyramid scheme, the majority of Consultants' compensation comes from contributions to the scheme  
2 made by other Consultants and not from legitimate operations (*i.e.*, retail sales).

3 107. Recognizing that its business bears all the traits of a pyramid scheme, Arbonne has  
4 adopted two policies to avoid the pyramid scheme label without changing its business practices.  
5 First, Arbonne's P&P forbids "strategic purchases . . . made to maximize commissions or bonuses or  
6 other incentives such as trips and awards when an Arbonne Independent Consultant has no bona fide  
7 use for the products purchased. Arbonne Independent Consultants may not inventory load nor  
8 encourage others to inventory load."<sup>6</sup>  
9

10 108. But Arbonne does not track retail sales, and so it has no way to determine if a  
11 Consultant has purchased product for which he has no bona fide use, or if a Consultant is inventory  
12 loading (*e.g.*, purchasing unneeded product to qualify for bonuses). Moreover, on information and  
13 belief, Arbonne does not enforce this prohibition. And, in fact, as discussed at length above, Arbonne  
14 encourages Consultants to purchase product they do not need and to inventory load.  
15

16 109. Second, Arbonne allows Consultants to return all product they have purchased within  
17 the past year for a full refund, but only if the Consultant terminates his business relationship with  
18 Arbonne.<sup>7</sup> This return policy does not affect the conclusion that Arbonne is a pyramid scheme. For  
19 one thing, regardless of this return policy, it is still true that Arbonne (a) requires and incentivizes  
20 Consultants to pay money to participate in the SuccessPlan, (b) rewards recruiting far more than retail  
21 sales, and (c) primarily compensates Consultants with other Consultants' money  
22

23 110. Moreover, the refund policy is inadequate because it is limited in time, so Consultants  
24 who purchased outside the one-year window cannot receive a refund. And the policy provides no  
25 protection for Consultants who sold the product for less than the wholesale price, who gave away  
26

27 <sup>6</sup> P&P at § 6.3.

28 <sup>7</sup> P&P at § 8.2.

product in an effort to recruit new Consultants, or who used product they never would have purchased absent the incentives in the SuccessPlan.

111. In addition, Consultants must resign before they are eligible for a refund. Far from protecting Consultants, the requirement that Consultants resign punishes Consultants who have purchased more product than they need. Eligibility for these refunds requires Consultants to give up their places in the Arbonne compensation structure, which Arbonne has encouraged the Consultants to achieve through hard work, recruiting, and product purchases.

112. Finally, the refund policy is inadequate because Arbonne will deduct from any refund amount any Bonus previously paid the Consultant because of the purchase of the now-returned product, **and** Arbonne will deduct any Bonus previously paid that Consultant's upline because of the purchase of the now-returned product. Doing this may also result in a reduction of the upline's status. Consultants are frequently friends or relatives of persons in their uplines. Thus, many Consultants will be disinclined to return unwanted Arbonne product since doing so may have a negative financial impact on their friends or relatives.

#### 4. The Vast Majority of Consultants Lose Money

113. Despite their best efforts to succeed, Plaintiffs lost money from their participation in Arbonne.

114. Data provided by Arbonne demonstrates that, like Plaintiffs, most Consultants lose money. Arbonne's 2016 "Independent Consultant Compensation Summary"<sup>8</sup> states that, in 2016, it paid out \$163 million to its U.S. Consultants. The Compensation Summary also states that Arbonne had 180,600 "active" Consultants in 2016—meaning 180,600 Consultants who received any earnings payment from Arbonne in 2016. But only 14% (or 24,800) of those Consultants received, on

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<sup>8</sup> See Ex. C.

average, checks in each month. That means every month, on average, 86% of *active* Consultants (or 155,800 persons) received no payment from Arbonne at all.

115. All Consultants who received no earnings from Arbonne (a percentage north of 86%) necessarily received less from Arbonne than they paid Arbonne because every Consultant at least paid a Registration Fee or a Renewal Fee in 2016. Moreover, because of the income incentives described above, most purchased product.

116. Arbonne provides some information regarding the distribution of earnings across the active Consultants. The 2016 Compensation Summary provides the following chart:

**Average Annual Earnings of Active Arbonne Independent Consultants for 2016**

|                                 | Average Annual Earnings | Top 50 Average | Bottom 50 Average | Average % of Active Arbonne Independent Consultants | Average Months to Promote |
|---------------------------------|-------------------------|----------------|-------------------|---|---------------------------|
| <b>National Vice Presidents</b> | \$250,847               | \$567,478      | \$89,117          | 1%  | 55                        |
| <b>Regional Vice Presidents</b> | \$64,722                | \$127,375      | \$21,418          | 3%  | 35                        |
| <b>Area Managers</b>            | \$16,560                | \$53,984       | \$2,406           | 8%  | 21                        |
| <b>District Managers</b>        | \$3,336                 | \$19,788       | \$88              | 30%   | 7                         |
| <b>Independent Consultants</b>  | \$767                   | \$7,423        | \$25              | 59%   | n/a                       |

117. This chart is based on gross earnings to the Consultants. The numbers do not account for the Registration Fees or Renewal Fees each Consultant had to have paid in 2016. Nor does this chart account for the money Consultants paid Arbonne to purchase product.

118. This chart shows that 59% of the Consultants who received some payment from Arbonne received, on average, \$767. But again, this is a gross number and does not account for amounts the Consultants paid Arbonne. \$767 per year is not even enough to cover the 12-in-12 Requirement Arbonne imposes for baseline Consultants to remain eligible to participate in the SuccessPlan. Even the District Managers received, on average, only \$3,336 over the course of 2016, which is far less than Arbonne encourages them to spend on Arbonne products. Thus, the vast majority of Consultants who received any payment from Arbonne (not even counting the *inactive* Consultants who received no payments from Arbonne) paid Arbonne more than Arbonne paid them.

119. Arbonne's 2016 Compensation Summary notes that the earnings information provided also does not include money Consultants received from face-to-face retail sales. But as discussed above, face-to-face retail sales is not a realistic source of income for Consultants. Consultants who receive less from Arbonne than they are paying Arbonne are very unlikely to make up that difference through retail sales.

120. One indisputable fact evident from the information provided by Arbonne is that the spoils of the Arbonne scheme are shared disproportionately with those at the top. The top tier of Consultants by earnings—a mere 1% of all active Consultants—made **\$250,847** per year on average. The second tier of Consultants by earnings—3% of all active Consultants—made **\$64,722** per year on average. On the other hand, Arbonne admits to distributing \$163 million to 180,600 total active Consultants—or **a mere \$902.54** per Consultant. The top 4% of active Consultants thus receives a disproportionate share of the total distributed.

121. In addition to the few Consultants at the top of the scheme taking in a disproportionately large share of the money distributed to Consultants, Arbonne takes for its own purposes most of the revenues Arbonne received from Consultants and any Preferred Clients or Retail Clients. According to the *Direct Selling News*, Arbonne reported receiving \$541 million in global revenues in 2016. According to the 2016 Compensation Disclosure, Arbonne paid out \$244 million globally. Thus, Arbonne kept for itself **\$297 million**.

122. Thus, with the majority of money coming in to the scheme (and the large majority of this comes from the Consultants) being kept by Arbonne, and with the rest disproportionately shared with the relative few at the top of the pyramid, most of the Consultants are doomed to lose, and lose big. This is exactly what happened to Plaintiffs, two of the thousands of victims of the Arbonne pyramid scheme.

**B. INDIVIDUAL DEFENDANTS AND ARBONNE PROMOTE THE PYRAMID SCHEME**

123. The Individual Defendants are persons at the top of Arbonne’s pyramid. All of the Individual Defendants have achieved the rank of Executive National Vice President. They are in the top 2% of Consultants who make the most lucrative bonuses. They actively participate in and help direct the Arbonne pyramid scheme, and they profit from the Success Plan at the expense of the vast majority of Consultants.

124. In coordination with Arbonne, the Individual Defendants have flooded the internet with promotional materials designed to lure in new Consultants. Arbonne and the Individual Defendants promote the scheme as a lawful program and tell people that with Arbonne you will be able to “write your own check and determine your destiny.”<sup>9</sup> As Tarrah Brandsma admitted, “we are vision casters for our team; they buy into whatever vision we cast.”<sup>10</sup> Or as Iain Pritchard stated: “We’re vision casters, remember that. We are dream casters, and we’re hope dealers.”<sup>11</sup>

125. To accomplish their “vision casting,” the Individual Defendants repeatedly tout their wealth and reassure Consultants and potential Consultants that their dreams can come true with Arbonne. They claim that Arbonne is “a viable business model . . . for everyone”;<sup>12</sup> that Arbonne makes possible a “dream life”;<sup>13</sup> that Arbonne presents a “ground floor business venture”;<sup>14</sup> and that Arbonne is “a gift to financial freedom, time freedom, travel opportunity, to help you set up a retirement . . . .”<sup>15</sup>

<sup>9</sup> <http://success.arbonne.com/en/all/view/436/donna-johnson>.

<sup>10</sup> <https://soundcloud.com/tarrah-brandsma-envp/tarrah-brandsma-a-million-dollar-business-learn-burn> (around the 4:40 mark).

<sup>11</sup> <https://soundcloud.com/envp-donna-johnson/envp-iain-pritchard-when-you-act-like-a-professional-you-get-paid-like-a-professional> (around the 5:25 mark).

<sup>12</sup> <http://www.martellnation.com/wp-content/uploads/2014/02/ea-iain-pritchard.pdf>.

<sup>13</sup> <https://www.youtube.com/watch?v=v0zf06KJLpk>.

<sup>14</sup> <https://vimeo.com/118539127>.

<sup>15</sup> *Id.*



**1. The Individual Defendants' own promotional materials and statements**

126. All of the Individual Defendants have produced videos and made statements via the internet knowingly promoting Arbonne's pyramid scheme and touting the financial rewards supposedly available to Consultants. Each of these statements furthered the pyramid scheme by encouraging persons to become Consultants and by encouraging Consultants to remain Consultants and pursue Arbonne's supposed business opportunity.

127. The following paragraphs set forth publicly broadcast statements made by the Individual Defendants to promote the Arbonne "business opportunity."

**a. Donna Johnson**

128. Donna Johnson is arguably Arbonne's most successful Consultant. She has her own website<sup>16</sup> on which she promotes Arbonne and explains how to succeed with Arbonne's marketing system. She also has her own YouTube channel,<sup>17</sup> which contains dozens of videos promoting Arbonne.

129. On these platforms, Johnson promotes Arbonne by describing her personal success with Arbonne:

- "This year, 2017, I am celebrating my 30<sup>th</sup> year with Arbonne . . . I started as a mom with 3 small children and I didn't have a college degree. I was a swimming coach and, if you're familiar with coaching, you don't do it for the money. You do it for the love of the sport and the kids. I found myself with no child support and a family that said, 'Go get a real job. Because, if this Arbonne thing doesn't work out, we can't bail you out.' And I said, 'I don't want a bail out. I want to be home with my children. I want to be an entrepreneur. I want to work from home.' So, I was highly, highly motivated."<sup>18</sup>

130. Johnson promotes Arbonne by describing the financial benefits of the business opportunity:

<sup>16</sup> [www.spiritwings.com](http://www.spiritwings.com).

<sup>17</sup> [www.youtube.com/user/SpiritwingsDonnaJ](http://www.youtube.com/user/SpiritwingsDonnaJ).

<sup>18</sup> <https://www.youtube.com/watch?v=NCoJ0xJTCHg> (around the 1:38 mark), video posted by Defendant Donna Johnson on January 29, 2017. As of the date of this Demand, this video has had approximately 1,593 views.



- 1 • “I have created hundreds of millionaires.”<sup>19</sup>
- 2 • “We have one of the most generous comp plans in the industry. When you talk to other
- 3 people and network marketing companies, that’s when you really realize how generous it is
- 4 and how stable it is. It just gets me fired up and excited. We can make a corporate income
- 5 and actually work our business part-time. Man, many of us have that happening and each one
- 6 of you has the ability to have that happen.”<sup>20</sup>
- 7 • With Arbonne, “[i]nstead of working for someone else and they determine how much you
- 8 earn, you get to determine that.”<sup>21</sup>

131. Defendant Johnson describes the importance of recruiting to the Arbonne business model:

- 9 • “Be a District Manager making machine! Always ask yourself, ‘Who am I launching to 1<sup>st</sup>
- 10 Step District Manager this month?’ This practice of launching someone new each month will
- 11 elevate you to Area Manager, RVP & NVP!”<sup>22</sup>
- 12 • “Every single month draw out your bubble chart. What is your bubble chart? It’s your
- 13 organization of people who are in activity and if you’re not adding new people to your bubble
- 14 chart every month, your business is going to get stagnant.”<sup>23</sup>
- 15 • “Focus on activity and sponsoring, getting someone right away for that new consultant. . . .
- 16 Take people who want more time, more money, more freedom . . . . Sponsoring and
- 17 duplicating . . . this is the secret!”<sup>24</sup>

<sup>19</sup> *Id.* (around the 4:12 mark).

<sup>20</sup> [https://www.youtube.com/watch?v=vV1\\_BmyhS38](https://www.youtube.com/watch?v=vV1_BmyhS38) (around the 22:39 mark), video titled “Road to Area” posted and hosted by Defendant Donna Johnson on August 17, 2015. As of the date of this Demand, this video has had approximately 889 views.

<sup>21</sup> <https://www.youtube.com/watch?v=1rXvwE6uBSw> (around the 29:46 mark), video title “Discover Arbonne Zoom February 2015” by Donna Johnson on March 14, 2015. As of the date of this Demand, this video has had approximately 15,627 views.

<sup>22</sup> [https://static1.squarespace.com/static/591442e1ff7c509585046fe6/t/59173d0b15cf7d45e963763c/1494695195423/DM+Orientation+Checklist\\_2017.pdf](https://static1.squarespace.com/static/591442e1ff7c509585046fe6/t/59173d0b15cf7d45e963763c/1494695195423/DM+Orientation+Checklist_2017.pdf).

<sup>23</sup> [https://www.youtube.com/watch?v=vV1\\_BmyhS38](https://www.youtube.com/watch?v=vV1_BmyhS38) (around the 34:48 mark) (emphasis added).

<sup>24</sup> *Id.* (around the 18:45 mark).

**b. Cassandra House**

132. Cassandra House is another of Arbonne's most successful Consultants. In fact, she was recently one of the speakers at a meeting of Arbonne vice presidents at Arbonne's Global Training Conference ("GTC") in Las Vegas. She has built her Arbonne business internationally with the help of the internet, and she promotes the Arbonne business in multiple public statements.

133. House makes statements regarding her personal success with Arbonne:

- "I jumped in with two feet and I have never looked back. I am fully retired from the Department of Education and I am 29 years old. I now earn what I used to earn in half a year, full-time teaching, in just one month."<sup>25</sup>
- "For part-time hours, I am able to earn, like I said, much more than a full-time income."<sup>26</sup>
- "If I can do it [be successful at Arbonne], you can definitely do it."<sup>27</sup>
- "I think one of the things you're going to love with your Arbonne business is the opportunity to travel and—you know—and build in other parts of the world and go see the places. You know, I think of the book *Oh the Places You Will Go*. Right?"<sup>28</sup>

134. House makes statements indicating that Consultants can achieve significant wealth by following the Arbonne business plan:

- "I've been able to share this with hundreds of people. I've retired and helped lots of women become, not only financially free—but also men as well being able to retire from their positions— and just do what they used to do as a passion. But [also] be able to live a lifestyle by design and live on their terms as their very own boss and the CEO of their very own multi-million dollar company, just like I've been able to do. So, a lot of my best friends are driving their white Mercedes Benz. We have put twelve Mercedes Benz on the road in the last twelve months and that is just a true testament to this amazing company and the power of this business model in this industry . . . . It is the business model of the future and it is just forever growing."<sup>29</sup>

<sup>25</sup> <https://vimeo.com/118539127> (around the 1:30 mark), video titled "The Arbonne Opportunity for You" of Defendant Cassandra House speaking, posted approximately "two years ago" according to Vimeo. As of the date of this Demand, this video has had approximately 5,842 views.

<sup>26</sup> *Id.* (around the 2:00 mark).

<sup>27</sup> *Id.* (around the 7:33 mark).

<sup>28</sup> <https://soundcloud.com/envp-donna-johnson/envp-iain-pritchard-live-a-limitless-life> (around the 0:45 mark), video titled ENVP, Iain Pritchard "Live a Limitless Life," posted by Defendant Donna Johnson approximately one year ago according to Soundcloud. As of the date of this Demand, this recording has had approximately 9,299 views.

<sup>29</sup> <https://vimeo.com/118539127> (around the 2:18 mark).

- 1 • We are absolutely expanding all over the globe very shortly and it is a very, very exciting  
 2 time for us to be able to be part of this opportunity, which I see still as a very ground floor  
 business venture.<sup>30</sup>
- 3 • “So the person that has offered [Arbonne] to you, I see as someone who has given you a very  
 4 important gift. So, in the palm of their hand, they hold a gift to: financial freedom, time  
 5 freedom, travel opportunity, to help you set up a retirement, to help you settle down and have  
 6 a beautiful family, to be able to give you more out of life, to be able to do personal  
 development or to be able to help others—whatever your passion is—they have this gift and  
 they’re able to give it to you.”<sup>31</sup>
- 7 • “Through the power of the Arbonne opportunity and the Arbonne income that has allowed us  
 8 to go from mediocrity to exceptional experiences and an exceptional way of life. So, from  
 9 those just wanting a little bit of extra cash whether it be an extra \$500 a month or an extra  
 \$1,000 a month, \$5,000 a month, \$50,000 a month, Arbonne is able to do that for you. The  
 10 very top income earners in this business earn hundreds of thousands of dollars every single  
 month and that is actually where you are headed if you start building our business. Because if  
 11 you just do the do . . . it’s going to spread and spread and spread.”<sup>32</sup>
- 12 • “So this is your business and it’s your choice and we’re actually the next multi-millionaires  
 and next multi-millionairesses . . . because the next millionairesses are, in fact, going to be  
 13 coming from networks, not from jobs.”<sup>33</sup>
- 14 • “There is no capping, whatever you want to earn is yours to earn. The world is your oyster.  
 15 You can write your own paycheck in this business.”<sup>34</sup>

16 135. House emphasizes the importance of recruiting to achieving success in Arbonne:

- 17 • “How do we build a network? We just think of three to four people that we know would love  
 18 a little bit of extra cash or would love to try the product. And do you know what? I started  
 19 with some of my best friends. I have people in my business that I knew before and people  
 20 that I never met before. But, just by showing three to four people, it shows you here, that  
 your network will grow and grow and grow. Because every single one of those people know  
 21 someone that we don’t know. And they say that in everyone’s network we, at any time, have  
 access to about 1,300 people each within our network directly or indirectly. This business is  
 22 something that you can just share with a few people, help them be successful, and help them  
 show other people to do the same and your organization will grow and grow and grow.”<sup>35</sup>

### 23 c. Tarrah Brandsma

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 25 <sup>30</sup> *Id.* (around the 3:00 mark).

26 <sup>31</sup> *Id.* (around the 4:46 mark).

27 <sup>32</sup> *Id.* (around the 8:26 mark).

28 <sup>33</sup> *Id.* (around the 9:30 mark).

<sup>34</sup> *Id.* (around the 28:00 mark).

<sup>35</sup> *Id.* (around the 24:04 mark).

136. Tarrah Brandsma is one of Arbonne's leaders. She was the Keynote Speaker at Arbonne's recent GTC conference. According to Arbonne's website, Tarrah Brandsma' is "a three-wide Executive National Vice President, five-time NVP Challenge Trip achiever, Million Dollar Achiever, and a member of the 2017 Leadership Council."<sup>36</sup> Like all the other Individual Defendants, she has used the internet to promote Arbonne's pyramid scheme.

137. Brandsma has made statements regarding her personal success in Arbonne:

- I was introduced to Arbonne 6 years ago. At the time, I was a CPA just working in the corporate world—working a good 50-60 hours a week—and never saw myself doing any of this. But, I was introduced by a cousin of mine and I just went to buy a product or two to support her in this cute little business. And I saw the business model and I was really impressed with what I saw. The fact that I could do it part-time alongside my corporate job. I had no children at the time and had always seen myself as Ms. Corporate America. But once I kind of saw that this could potentially provide the income, but also flexibility, I took it back to my husband and we looked at it. And we thought this is a smart business model and jumped right in."<sup>37</sup>
- "If I can do this [be successful at Arbonne], you can do this."<sup>38</sup>

138. Brandsma has claimed that Consultants can achieve financial success through Arbonne:

- "You're going to be motivated, you're going to see that you can do this too. You'll start to see yourself being able to achieve things that you never thought that you could achieve."<sup>39</sup>
- "You have in your hands, with your Arbonne business, a multi-million dollar business."<sup>40</sup>

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<sup>36</sup> <http://gtc.arbonne.com/EN/>.

<sup>37</sup> <https://www.youtube.com/watch?v=0vC0hD99tIs> (around the 0:18 mark), video titled "The Charismatic CPA", posted on approximately May 31, 2012. As of the date of this Demand, this video has had approximately 14,714 views.

<sup>38</sup> <https://www.youtube.com/watch?v=YzbUYU9zecI> (around the 8:55 mark), video titled "GTC 2017 Keynote Speaker, Tarrah Brandsma," posted on approximately April 24, 2017. As of the date of this Demand, this video has had approximately 3,220 views.

<sup>39</sup> <https://www.youtube.com/watch?v=GWBxvEAqdtM> (around the 0:35 mark), video titled "GTC Keynote Speaker: ENVP Tarrah Brandsma," posted on approximately January 20, 2017. As of the date of this Demand, this video has had approximately 2,443 views.

<sup>40</sup> <https://soundcloud.com/tarrah-brandsma-envp/tarrah-brandsma-a-million-dollar-business-learn-burn> (around the 1:50 mark), video titled "Tarrah Brandsma—A Million Dollar Business Learn & Burn," posted approximately 1 year ago. As of the date of this Demand, this video has had approximately 3,339 views.

139. Brandsma has emphasized the importance of recruiting to building an Arbonne business:

- “Do you want to see exponential growth? Sponsor your next aces, those business builders who will lock arms with you. The biggest exponential growth periods in my business, and in the exponential growth of the leaders of my organization, have all come from sponsoring their next aces.”<sup>41</sup>
- “When you are duplicating, anyone of you can have a million-dollar business by the end of the year.”<sup>42</sup>
- “Keep building your width until you are twelve leaders wide . . . . Always focus on duplicating yourself. My goal every year was to help promote eight or more districts direct to me. That’s almost one a month, so be a recruiter for VP caliber people. Tell people, ‘I’m building my empire and I see you as a VP leader in my organization.’ That sounds like a million-dollar business statement.”<sup>43</sup>

#### d. Iain Pritchard

140. Iain Pritchard is one of Arbonne’s top Consultants. He also has dozens of videos available over the internet. He also spoke at Arbonne’s GTC Conference. He is the top income earner in the United Kingdom, a four-wide Executive National Vice President, and part of the 2016 Leadership Council.<sup>44</sup>

141. He has made statements regarding his personal success with Arbonne to encourage persons to become Consultants and to encourage Consultants to stay in the business:

- “Great is ok, but you know what? I wanted extraordinary. And extraordinary is now what I’m able to live. And I want to show other people how they can also live extraordinary lifestyles and how extraordinary is possible for anyone who wants it.”<sup>45</sup>

<sup>41</sup> <https://www.youtube.com/watch?v=YzbUYU9zecI> (around the 26:21 mark).

<sup>42</sup> <https://soundcloud.com/tarrah-brandsma-envp/tarrah-brandsma-a-million-dollar-business-learn-burn> (around the 3:50 mark).

<sup>43</sup> *Id.* (around the 13:10 mark).

<sup>44</sup> <https://soundcloud.com/envp-donna-johnson/envp-iain-pritchard-live-a-limitless-life> (around the 2:10 mark).

<sup>45</sup> <https://soundcloud.com/envp-donna-johnson/envp-iain-pritchard-when-you-act-like-a-professional-you-get-paid-like-a-professional> (around the 6:00 mark), video titled “ENVP, Iain Pritchard ‘When you Act like a Professional, you get Paid like a Professional,” posted about two years ago. As of the date of this Demand, this recording has approximately 20,400 views.

- “I’ve now been fortunate to be on my third Arbonne Mercedes. [I] traded up now for an even bigger, seven seat GL, all signing, all dancing car. And I’m so grateful that that’s all paid for by Arbonne every single month on top of my life-changing income.”<sup>46</sup>

142. Pritchard has claimed that Consultants can earn a substantial income through the Arbonne business opportunity:

- “Arbonne is the best opportunity you’ve come across.”<sup>47</sup>
- “Every single day in this business, you can decide what your future is going to look like. We get to write our own story.”<sup>48</sup>
- “If you treat this as a multi-million dollar/pound business, then that’s what it will create you.”<sup>49</sup>
- “I teach and train open minded people to own their life and create financial stability and time freedom. Or I might say, I show people how to create an additional six figure income from home around their other commitments.”<sup>50</sup>
- “Don’t ever, ever, ever, ever quit this business. Because I can guarantee to you now, you will quit before payday if you do.”<sup>51</sup>
- “Helping your team is really what this business is all about. The more people you help be successful, the more that—you know—you will be successful yourself.”<sup>52</sup>

143. Individual Defendant Pritchard has made statements regarding the importance of recruiting to building a successful Arbonne business:

- “It’s all built on duplication.”<sup>53</sup>
- “Understand the power of duplication. Our business is built on this.”<sup>54</sup>
- “There are five, six, ten, twenty checks payable to you which just come in the form of incredible consultants, that you sponsor train and mentor, who can create multi-million dollar

<sup>46</sup> <https://soundcloud.com/sky-nation-training-calls/iain-pritchard-discover-arbonne> (around the 27:10 mark) recording titled “Iain Pritchard Discovery Arbonne,” posted about two years ago. As of the date of this Demand, this recording has received approximately 26,700 views.

<sup>47</sup> *Id.* (around the 16:25 mark).

<sup>48</sup> <https://soundcloud.com/envp-donna-johnson/envp-iain-pritchard-when-you-act-like-a-professional-you-get-paid-like-a-professional> (around the 6:00 mark) (around the 5:00 mark).

<sup>49</sup> *Id.* (around the 8:25 mark).

<sup>50</sup> *Id.* (around the 8:50 mark).

<sup>51</sup> *Id.* (around the 24:30 mark).

<sup>52</sup> *Id.* (around the 24:47 mark).

<sup>53</sup> *Id.* (around the 18:20 mark).

<sup>54</sup> *Id.* (around the 19:10 mark).

1 legs in your organization over the period of time. But, I love the analogy that if you just keep  
 2 going and turning over the leaves, you eventually will find those checks or those consultants  
 3 that will join your business.”<sup>55</sup>

4 **e. Deborah Carroll Neal**

5 144. Deborah Carroll Neal joined Arbonne in 2006 and is now an Executive National Vice  
 6 President. She was on the 2106 Leadership Council and was a speaker at Arbonne’s Global Training  
 7 Conference in 2016,<sup>56</sup> 2014,<sup>57</sup> 2013,<sup>58</sup> 2012,<sup>59</sup> and at Arbonne’s Canada National Training  
 8 Conference 2012.<sup>60</sup> As of 2012, she was a four-time NVP Challenge Achiever, in the Million-Dollar  
 9 Club, and was a top 15 income earner and was a seven-wide ENVP in Canada.<sup>61</sup> She has also  
 10 promoted four direct National Vice Presidents, has 15 National Vice Presidents in her SuccessLine  
 11 and over 100 Mercedes drivers.<sup>62</sup> Individual Defendant Neal heavily promotes Arbonne on the  
 12 internet through YouTube, Facebook, Twitter, Google Plus, Vimeo, and SoundCloud.

13 145. Neal has made public statements regarding her personal success with Arbonne:

- 14 • “I actually own and operate a multi-million dollar business from my cellphone and my  
 15 laptop.”<sup>63</sup>
- 16 • “I write my own paycheck”<sup>64</sup>
- 17 • “I make way too much money in Arbonne, they can’t afford me.”<sup>65</sup>
- 18 • “I had a vision of six figures a month.”<sup>66</sup>
- 19 • “We are evidence of what is possible”<sup>67</sup>

20  
 21 

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 22 <sup>55</sup> *Id.* (around the 23:45 mark).

<sup>56</sup> <https://www.youtube.com/watch?v=2XHMeQk3-rU&t=10s>.

<sup>57</sup> <https://www.youtube.com/watch?v=YcgRvNhSf9A>.

<sup>58</sup> <https://www.youtube.com/watch?v=2Wp4D2Xez9E>.

<sup>59</sup> <https://www.youtube.com/watch?v=pMXNKOCt9EM>.

<sup>60</sup> <https://www.youtube.com/watch?v=GjM1AtNqN20&t=3s>.

<sup>61</sup> <https://www.youtube.com/watch?v=GjM1AtNqN20&t=24s>.

<sup>62</sup> [https://www.facebook.com/pg/DebbieNealNVP/about/?ref=page\\_internal](https://www.facebook.com/pg/DebbieNealNVP/about/?ref=page_internal).

<sup>63</sup> <https://www.youtube.com/watch?v=zblWjr62dfA>.

<sup>64</sup> *Id.* (around 0:35 mark).

<sup>65</sup> [https://www.youtube.com/watch?v=A9s\\_qe9g\\_Ds](https://www.youtube.com/watch?v=A9s_qe9g_Ds) (around 10:45 mark).

<sup>66</sup> *Id.* (around 49:23 mark).

<sup>67</sup> *Id.* (around 1:18:14 mark).



- 1 • “Ten years ago, I was a snowball on the mountain. I had no sales background. I had no
- 2 knowledge of our business. I had no team and I had no clue how I was going to the top of this
- 3 company...I became the first snowball and began my journey down the mountain. And I
- 4 committed to growing to the top of our incredible company and I want you to know that you
- 5 can too.”<sup>68</sup>
- 6 • “Can you get passionate about building a business that has the potential to put two commas in
- 7 your paycheck? How you like them apples?”<sup>69</sup>

146. Neal has made statements regarding the ability of Consultants to obtain significant  
 wealth through Arbonne:

- 8 • “If you know anybody that could treat this like the multi-million-dollar business that it is, they
- 9 could be a millionaire.”<sup>70</sup>
- 10 • “You have unlimited potential and the possibilities are endless.”<sup>71</sup>
- 11 • “I see endless possibilities for every single one of us. I see in my organization thousands of
- 12 ENP in every single country that Arbonne is in.”<sup>72</sup>
- 13 • “If you can imagine it, you can achieve it.”<sup>73</sup>
- 14 • “I am telling you right now, there is a lot of money to made in Arbonne.”<sup>74</sup>
- 15 • “You own a multi-million dollar business.”<sup>75</sup>
- 16 • “We have the potential to change the world.”<sup>76</sup>
- 17 • “We are all the same in this business. Same product, same company.”<sup>77</sup>
- 18 • “I know everyone in this audience has the potential to be earning \$50k a month, plus.”<sup>78</sup>
- 19 • “I’m no different from you, at all.”<sup>79</sup>
- 20 • “It is time for the car my friends.”<sup>80</sup>
- 21

<sup>68</sup> <https://www.youtube.com/watch?v=2XHMeQk3-rU> (around 20:50 mark).

<sup>69</sup> [https://www.youtube.com/watch?v=A9s\\_qe9g\\_Ds](https://www.youtube.com/watch?v=A9s_qe9g_Ds) (around 1:24:08 mark).

<sup>70</sup> *Id.* (8:50 mark).

<sup>71</sup> *Id.* (19:35 mark).

<sup>72</sup> *Id.* (23:20 mark).

<sup>73</sup> *Id.* (24:05 mark).

<sup>74</sup> *Id.* (37:55 mark).

<sup>75</sup> *Id.* (40:45 mark).

<sup>76</sup> *Id.* (43:18 mark).

<sup>77</sup> *Id.* (45:50 mark).

<sup>78</sup> *Id.* (46:13 mark).

<sup>79</sup> *Id.* (59:20 mark).



- “I believe next year there will be two hundred of you [NVPs].”<sup>81</sup>
- “You all have it in you, you are born for greatness.”<sup>82</sup>
- “You are sitting on a goldmine.”<sup>83</sup>
- “You have exactly what it takes to build this business as big as you want to build it. You are enough. You and you alone are enough.”<sup>84</sup>
- “This is such a huge opportunity for each and everyone one of you.”<sup>85</sup>
- “We start off as that little snowball but as we lead our teams, we keep adding all these incredible snowballs and I want you to picture thousands of snowballs flying down the mountain. It is the most powerful army; you have the power to create an Arbonne avalanche.”<sup>86</sup>

147. Neal has made statements regarding the importance of recruiting to building an Arbonne business:

- “You want to show up big so other people will join you.”<sup>87</sup>
- “It’s not about you, it’s about the people in your organization and the people you haven’t even met yet.”<sup>88</sup>
- “Go wide and create your dream”<sup>89</sup>
- “As a result of going wide, you are going to have a strong, successful, positive business.”<sup>90</sup>
- “The only way to become a millionaire is to create millionaires.”<sup>91</sup>
- “You need to dream big so you can sponsor up.”<sup>92</sup>
- “Sponsor the most preferred clients and consultants.”<sup>93</sup>

<sup>80</sup> *Id.* (1:15:42 mark).

<sup>81</sup> *Id.* (1:16:40 mark).

<sup>82</sup> *Id.* (1:18:46 mark).

<sup>83</sup> *Id.* (1:25:53 mark).

<sup>84</sup> <https://www.youtube.com/watch?v=2XHMeQk3-rU> (around 8:40 mark).

<sup>85</sup> *Id.* (11:46 mark).

<sup>86</sup> *Id.* (19:05 mark).

<sup>87</sup> [https://www.youtube.com/watch?v=A9s\\_qe9g\\_Ds](https://www.youtube.com/watch?v=A9s_qe9g_Ds) (30:30 mark).

<sup>88</sup> *Id.* (36:20 mark).

<sup>89</sup> *Id.* (37:35 mark).

<sup>90</sup> *Id.* (40:30 mark).

<sup>91</sup> *Id.* (42:35 mark).

<sup>92</sup> *Id.* (43:32 mark).

- 1 • “How wide do you want your team to be? Be wide, be working with no less than 10 direct
- 2 business builders at all time.”<sup>94</sup>
- 3 • “Get out there and share this opportunity with as many people as you can”<sup>95</sup>
- 4 • “You can save money and make money selling a product. You can make a fortune building a
- 5 network. The next wave of millionaires won’t have jobs, they are building networks. That’s
- 6 it.”<sup>96</sup>
- 7 • “Consistent sponsoring leads to more sales, which is the lifeblood of our business you guys,
- 8 it’s our growth, the more we sponsor, the greater our momentum, the more sales in our
- 9 business.”<sup>97</sup>

\* \* \*

10 148. These promotional videos that the Individual Defendants participated in and/or

11 prepared all promote the Arbonne “business opportunity.” The Individual Defendants plainly made

12 or participated in these videos for the purpose of recruiting more Consultants and thereby

13 perpetuating the Arbonne pyramid scheme.

14 149. Moreover, these statements by the Individual Defendants imply, if not state explicitly,

15 that Consultants can achieve significant financial success though the Arbonne business. But the truth

16 is that only the tiniest minority of Consultants achieve the sort of financial success the Individual

17 Defendants tout, no matter how hard they work.

18 150. The Individual Defendants are well aware of this fact, but they seek to intentionally

19 mislead people (a) so that people will agree to sign up as new Consultants in the Individual

20 Defendants’ Downlines and (b) so that current Consultants will continue to participate in the Arbonne

21 system, which requires the purchasing of product and recruiting, all to the benefit of Arbonne and the

22

23

24

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25 <sup>93</sup> *Id.* (45:12 mark).

26 <sup>94</sup> *Id.* (1:17:33 mark).

27 <sup>95</sup> *Id.* (1:20:32 mark).

28 <sup>96</sup> *Id.* (1:22:20 mark).

<sup>97</sup> <https://www.youtube.com/watch?v=2XHMeQk3-rU> (around 13:39 mark).

Individual Defendants. It is their continued recruiting that will affect the ability of Arbonne and the Individual Defendants to continue to reap financial rewards.

151. In addition to all promoting the Arbonne “business opportunity,” and promoting it in a similar manner, the Individual Defendants often participate in each other’s promotions or use the promotional material produced by each other. For example, Defendant Donna Johnson has published several recordings on Soundcloud that contain trainings from the other Individual Defendants.<sup>98</sup>

## 2. Arbonne Works in Concert with the Individual Defendants to Promote Arbonne’s Pyramid Scheme

152. Arbonne publishes material to promote the Individual Defendants and their Arbonne businesses. Each Individual Defendant has their own Arbonne website and “Eye on Arbonne” feature. These websites and materials are written by the Individual Defendants and describe their supposed Arbonne experiences. Internet searches for the Individual Defendants frequently lead to these materials, and a search box on Arbonne’s website allows a user to find the materials. In this way, Arbonne and the Individual Defendants expressly work together to broadcast the material and promote the pyramid scheme.

153. The content published by Arbonne, like that in the Individual Defendants’ own videos and recordings described above, promotes the Arbonne business opportunity and the financial benefits supposedly available to Consultants:

| Individual Defendant        | Excerpts From Arbonne’s Website and Publications  |
|-----------------------------|---|
| Donna Johnson <sup>99</sup> | “Donna Johnson of Wisconsin started her Arbonne career in 1987 as a single mom of three small children, with no college degree, no child support, and poverty level income as a swimming coach. Today, nearly every Arbonne Independent Consultant can trace a connection to this Arbonne Visionary’s |

<sup>98</sup> E.g., <https://soundcloud.com/envp-donna-johnson/envp-iain-pritchard-when-you-act-like-a-professional-you-get-paid-like-a-professional>; <https://soundcloud.com/envp-donna-johnson/envp-tarah-brandsma-your-time-is-now-to-step-up-big>.  
<sup>99</sup> <http://success.arbonne.com/en/all/view/436/donna-johnson>.

| Individual Defendant           | Excerpts From Arbonne's Website and Publications  |
|--------------------------------|---|
|                                | <p>SuccessLine.”</p> <p>“As you venture into this incredible entrepreneurial opportunity of Arbonne, you determine your success, no one else. Imagine shaking hands with yourself in 5, 10, even 20, 30 years. Begin with the end in mind. Guard your beliefs and dreams — don’t let anyone steal them, including yourself. Beware of the “4 D’s”: Doubts, Disappointments, Distractions, and Dreamstealers. When you’re unaware, these 4 D’s can cause you to stumble. Stay focused, determined to rise above, and embrace the other “4 D’s”: Determination, Discipline, Desire, and Do It!”</p> <p>“You write your own check and determine your own destiny. When you look in the mirror, you’re looking at the boss. The good news is you tell yourself what to do each day. That can also be bad news if you’re not disciplined enough to create a strong work ethic and business plan. Write your <i>Eye on Arbonne</i> story, take your picture in front of a white Mercedes-Benz, and make your dream board.”</p>  |
| Cassandra House <sup>100</sup> | <p>“Born and bred in a small Australia beachside town, Cassandra grew up in a successful entrepreneurial family, with a passion for people and an unstoppable work ethic. Cassandra is a leader, educator, dancer, performer, choreographer, successful business owner in multiple industries, three-time degree holder and Masters graduate.”</p> <p>“Working over 100 hours a week, while embarking on her fourth degree, she first heard the words “NVP pays more than PHD!” It was soon she would find this out for herself.”</p> <p>“After being first approached about the opportunity on Facebook and saying ‘No’ to the offer on and off for nine months, she began to ask herself, ‘If I stopped work today, would my income stop?’ This inspired her to start using the products and after experiencing phenomenal results with them, she was 100% in! She simply began sharing her love of the products and the business model and people rapidly started joining her and her organisation exploded with success.”</p> <p>““Network Marketing is the smartest business model I have ever seen! I feel so fortunate to have a golden opportunity to help others create their own Lifestyle, Body and Image by DESIGN, all on their own terms. How can it get better than this?””</p> <p>“After just nine months of jumping into Network Marketing, once she truly ran her business with focus and dedication, she was sitting behind the wheel of her very own white Mercedes</p> |

<sup>100</sup> <http://www.arbonne.com/pws/cassandrahouse/tabs/about-me.aspx>.

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| Individual Defendant          | Excerpts From Arbonne's Website and Publications   |
|-------------------------------|--|
|                               | <p>Benz. Eleven months later she reached the top of the company as a National Vice President earning the highest income capacity. She has since coached, along with her personal sponsors, seven others in her organisation to receive their very own Mercedes Benz.”</p> <p>“Cassandra recently received five international business awards and was recognised as one of the top three sponsors in the world in what our company calls the Parade of Champions. The lives of so many have been transformed!”</p> <p>“Cassandra was able to ‘retire’ and travel abroad and use her life to volunteer full time, fulfilling her greatest passion, worldwide education work. ‘My desire is to be a living example of what’s possible, the be an authentic representation of exactly what can be achieved with the support of a dynamic and exceptional company linked with personal development, personal determination, vision and belief, as well as a huge passion to create independent leaders and people that can be a CEO of their very own company.’”</p> <p>“With a proven business model for success, world-class products, personal business coaching to be in business for yourself but not by yourself, what’s stopping you? She has an unwavering belief in what she has in the palm of her hands and a life on her own terms.”</p>  |
| Tarah Brandsma <sup>101</sup> | <p>“I shudder at the thought that we could have made a completely different decision! Exactly three years after making the decision to jump in, I had everything that Tiffany had mentioned that evening I was first introduced to Arbonne. In a few short years, I realized the dream world of “having it all,” could actually be a reality, if I was willing to work hard and not quit. I now have a fulfilling and successful career that I have been able to weave around my life as a mother and wife at home. My family does not have to participate in what the economy is doing because we have had a solid Plan B, turned Plan A, which I worked consistently. We have traveled the world, from Paris and the French Riviera, to Hong Kong and Thailand, the Baltic Sea and Africa....all benefits of building an Arbonne business. Lastly, my husband has the freedom to escape corporate America and pursue a path that God has intended for him. What I thought was not even possible in today’s world, was happening not only to me, but so many women around me.”</p> <p>“Your success in this business is not dependent on falling home prices, gas prices, the mortgage industry, the amount of money you have in the bank, or your education. Success in this business depends solely on you and your ability to follow your dreams and help others do the same. This is a business where</p> |

<sup>101</sup> <http://www.arbonne.com/pws/tarahbrandsma/tabs/about-me.aspx>.

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| Individual Defendant                | Excerpts From Arbonne's Website and Publications   |
|-------------------------------------|--|
|                                     | <p>we learn to put other's needs, goals and dreams before our own. We do not have to compete with each other in an effort to land a coveted promotion. With Arbonne, there is room at the top for everyone! When your focus becomes helping others achieve a life they always wanted, then so will you. God created all of us to do much, and when you can help others do much, this world can be changed."</p>  |
| Iain Pritchard <sup>102</sup>       | <p>"Network marketing is for everyone. It is the level playing field that can give the ordinary person an extraordinary life by simply redirecting their personal car consumable spending and teaching others to do the same."</p> <p>"This viable business model is for everyone who has a desire to have something more than they currently have, by helping others to achieve more. By simply helping a few people create teams that duplicate their efforts, I have the ability to be paid on my sales volume and the sales volume of the Arbonne Independent Consultants in my network. It's exactly the same as any corporate structure, except that in Arbonne, everyone has the same opportunity to benefit from the leverage. Instead of the money going into different corporation's pockets, the money is being shared out among the individuals building the networks. This is the business model of the 21st Century. It rewards effort. More and more companies are using this model as a low overhead and legitimate vehicle to distribute products and services."</p> <p>"Working smart meant showing others how to purchase their personal care products online and redirect the money they were already spending into the Arbonne network. It meant finding at least four or five others willing and committed to partnering with me, to duplicate my efforts and teach others to do the same. If I were to find five people to join me in this business, coach them to follow a proven system for success, and teach and train them to find their own five people, then I would have a team of 25. If they duplicated that, then I would have 125 people in my organisation."</p> |
| Deborah Carroll Neal <sup>103</sup> | <p>"I have been invited on my very first NVP retreat in Hawaii, with my husband, Scott. I realize now, more than ever, that I have the best job. My responsibilities include attending "parties", sharing amazing products, traveling the world and teaching and training other to do exactly what I have done."</p> <p>"I had a conversation with ENVP Lisa DeMayo that changed the course of my life. Never in my wildest dreams did I think my life was about to change!"</p>   |

<sup>102</sup> <http://www.martellnation.com/wp-content/uploads/2014/02/ea-iain-pritchard.pdf>.

<sup>103</sup> [https://s3.amazonaws.com/luvinit/ea/neal\\_dnv.pdf](https://s3.amazonaws.com/luvinit/ea/neal_dnv.pdf).

| Individual Defendant | Excerpts From Arbonne's Website and Publications  |
|----------------------|---|
|                      | <p>"I knew I could never go back to work full time, nor did I want to. Arbonne was just what I was looking for. It would give me the ability to work my own hours, be my own boss, have the potential to earn an amazing income and still be home with my family!"</p> <p>"The great thing about Arbonne is that you determine your speed and your level. You are a business owner and the harder you work, the more it will pay off. I spoke to whomever would listen. I saw what was happening with Arbonne and I knew the timing was perfect! I was in the right place, at the right time, with the right company."</p> <p>"Now that I am at the top with Arbonne, I will make sure it is my priority to bring my entire team up here as well. If you are committed to your business and your team, you will be at the top."</p> <p>"Anyone can be a National Vice President with Arbonne if you are willing to make it happen no matter what! You need to be willing to step out of your box, leave your comfort zone behind and go for it."</p> <p>"I truly believe from the bottom of my heart that Arbonne is a gift. I am so lucky to be a part of this company and to have such a wonderful team. You realize very soon into this business that it is not about you. It is about helping other succeed. When you help others succeed, you automatically win! Success is much easier when you duplicate a system that works."</p> |

### 3. Arbonne's Own Promotional Materials are Misleading

154. Arbonne's own website boldly reinforces the message portrayed by the Individual Defendants—that anyone can get rich with Arbonne, just as the Individual Defendants have. Arbonne entices potential new Consultants with promises of the dream life:

Imagine the **freedom to live the life of your dreams** by starting **your own successful business**. That's the beauty of our business model. So many of our Independent Consultants have done just that, and have **transformed their careers, their lives ... themselves**. They have created a better **work-life balance** because they choose when to work and when to play. With the right leadership, tools and effort, **you can too**.

155. This message is obviously misleading, and Arbonne knows it. Arbonne's own Income Disclosure Statement shows that hardly anyone makes money with the Arbonne business model. Certainly, a Consultant's success or failure depends to some degree on "leadership, tools and effort,"



1 but the clear implication from the message is that any person willing to put in effort to Arbonne will  
2 be financially successful. Unless only a small percentage of Arbonne Consultants have the “right  
3 leadership, tools and effort,” the implication from Arbonne’s website is belied by the numbers in  
4 Arbonne’s Income Disclosure Statement.

5 **C. PLAINTIFFS ARE VICTIMS OF ARBONNE’S PYRAMID SCHEME**

6  
7 156. Respondent Cynthia Dagnall is a mother of two young children who works in the front  
8 of a dental office as a dental assistant. She joined Arbonne as an Independent Consultant in February  
9 of 2014 hoping to build a business that allowed her to work out of her home so she could spend more  
10 time with her children. Instead, she ended up losing thousands of dollars trying to be a successful  
11 Consultant.

12 157. Between February 2014 and May 2016, Respondent Cynthia Dagnall spent  
13 approximately \$2,500 in fees, product purchases, promotional materials and costs related to attending  
14 Arbonne’s annual convention in Las Vegas. Her last payment to Arbonne was May 31, 2016. Over  
15 the course of her association with Arbonne, Cynthia received approximately \$30.00 in payments from  
16 Arbonne.  
17

18 158. Respondent Cynthia Dagnall was unable to make many retail sales, and she lost  
19 money in the Arbonne scheme even considering what little retail sales she was ultimately able to  
20 make.  
21

22 159. In 2016, Respondent Cynthia Dagnall did not renew her position as Independent  
23 Consultant and terminated her relationship with Arbonne by not paying the required yearly consultant  
24 fee.

25 160. In an attempt to move up Arbonne’s hierarchy and become a District Manager,  
26 Respondent Cynthia Dagnall recruited a few members of her family to also be Consultants, including  
27 her husband, Respondent Michael Dagnall.  
28

161. Respondent Michael Dagnall joined Arbonne a few weeks after his wife in February 2014. He never ended up making money on Arbonne's business opportunity.

162. Respondent Michael Dagnall paid Arbonne \$340.00 in fees and product purchases between February 2014 and May 2015. His last payment to Arbonne was May 2015. Over the course of his association with Arbonne, he received \$0.00 in payments from Arbonne.

163. Respondent Michael Dagnall was unable to make many retail sales, and he lost money in the Arbonne scheme even considering retail sales.

164. In 2015, Respondent Michael Dagnall did not renew his position as Independent Consultant and terminated his relationship with Arbonne by not paying the required yearly consultant fee.

165. Like the vast majority of Consultants, Plaintiffs lost most of their payments to the Arbonne pyramid scheme.

## V. CLASS ACTION ALLEGATIONS

166. Plaintiffs seek relief on behalf of themselves and the "**Class**": Consultants who, like Plaintiffs, paid Arbonne's fees and purchased Arbonne's products and who lost money from their participation in the Arbonne scheme. The Individual Defendants are excluded from the Class.

167. The members of the Class ("**Class Members**") number in the hundreds of thousands, making joinder of all Class members in a single action impracticable.

168. There are common questions of law and fact common to the Class, including, but not limited to, the following:

- Whether Defendants operate and/or operated an illegal pyramid scheme;
- Whether Defendants engaged in acts of mail or wire fraud in violation of RICO;
- Whether Defendants conspired to defraud Class Members through the use of a pyramid scheme;

- Whether Arbonne has been unjustly enriched by the operation and promotion of a pyramid scheme;
- Whether Arbonne's Contracts with the Class Members are void as illegal or against public policy;
- Whether Class Members paid money to Defendants in exchange for (1) the right to sell a product and (2) the right to receive, in return for recruiting others into the program, rewards which were unrelated to the sale of the product to retail customers;
- Whether and to what extent Defendants' conduct has injured the Class Members;
- Whether Defendants' conduct constitutes an endless chain scheme under Cal. Pen. Code § 327;
- Whether Defendants at present or in the past contrived, set up, proposed, operated, advertised, or promoted an endless chain under Cal. Pen. Code § 327;
- Whether Class members' Contracts with Arbonne are voidable under Cal. Civ. Code § 1689.2; and
- Whether Defendants engaged or are engaged in an unfair or deceptive business practice under Cal. Bus. & Prof. Code § 17200, *et seq.*

169. These and other questions of law and/or fact are common to the Class, and predominate over any question affecting only individual Class Members.

170. The Plaintiffs' claims are typical of the claims of the Class in that Plaintiffs were Participants in Arbonne who lost money as a result of the pyramid scheme.

171. The Plaintiffs will fairly and adequately represent the interests of the Class in that Plaintiffs' claims are typical of those of the Class and Plaintiffs' interests are fully aligned with those of the Class. The Plaintiffs have retained counsel who are experienced and skilled in class action litigation.

172. Class action treatment is superior to the alternatives, if any, for the fair and efficient adjudication of the controversy alleged herein, because such treatment will permit a large number of similarly-situated persons to prosecute their common claims in a single forum simultaneously,

efficiently, and without unnecessary duplication of evidence, effort, and expense that numerous individual actions would engender.

173. The Plaintiffs know of no difficulty likely to be encountered in the management of this action that would preclude its maintenance as a class action.

## **VI. CLAIMS FOR RELIEF**

### **COUNT ONE**

#### **Declaratory Judgment that the Contracts Between Arbonne and Plaintiffs and/or the Consultants are Void—6 Del. C. §§ 2562-64**

#### **Against All Defendants**

174. Plaintiffs incorporate by reference all allegations set forth above.

175. Arbonne's multi-level marketing scheme, as set forth in the contractual agreements between Arbonne and the Consultants, constituted a pyramid scheme under Delaware law.

176. Arbonne's Policies & Procedures designate Delaware law as the substantive law applicable to disputes with Consultants.

177. Delaware law provides that any pyramid scheme contract is void. *See* 6 Del. C. §§ 2562-64.

178. The contracts between Arbonne and Plaintiffs are therefore void.

179. The contracts between Arbonne and all Class Members are identical (other than personal information specific to each Class Member), and so all the contracts between Arbonne and all Class Members are void.

### **COUNT TWO**

#### **Endless Chain Scheme—Cal. Pen. Code § 327 and Cal. Civ. Code § 1689.2**

#### **Against All Defendants**

180. Plaintiffs incorporate by reference all allegations set forth above.

181. Under California Penal Code § 327, endless chain schemes are illegal. An endless chain scheme is defined under § 327 as, “any scheme for the disposal or distribution of property whereby a participant pays a valuable consideration for the chance to receive compensation for introducing one or more additional persons into participation in the scheme or for the chance to receive compensation when a person introduced by the participant introduces a new participant.”

182. Arbonne perpetuates an endless chain scheme. As discussed above, Arbonne promised to pay Consultants based on the recruiting of new Consultants and the payments those new Consultants made to Arbonne.

183. Arbonne and each of the Individual Defendants contrived, prepared, set up, proposed, and/or operated the Arbonne endless chain scheme.

184. Plaintiffs and the Class Members have suffered injuries in fact and have lost money or property because of Arbonne and the Individual Defendants’ operation of an endless chain scheme.

185. Plaintiffs and the Class are entitled to:

- a. Rescind the contracts upon which the scheme is based;
- b. Recover all consideration paid under the scheme, less any amounts paid or consideration provided to the participant under the scheme;
- c. Restitution, compensatory and consequential damages; and/or
- d. Attorneys’ fees, costs, pre- and post-judgment interest.

### **COUNT THREE**

#### **Unfair and Deceptive Practices – Cal. Bus. & Prof. Code § 17200, *et seq.***

##### **Against All Defendants**

186. Plaintiffs incorporate by reference all allegations set forth above.

187. Defendants have engaged in constant and continuous unlawful, fraudulent and unfair business acts or practices, and unfair, deceptive, false and misleading advertising within the meaning

1 of the California Business and Professions Code § 17200, *et seq.* The acts or practices alleged  
2 constitute a pattern of behavior, pursued as a wrongful business practice that has victimized and  
3 continues to victimize thousands of consumers.

4 Defendants' Business Practices are Unlawful

5 188. Under California Business and Professions Code § 17200, an “unlawful” business  
6 practice is one that violates California law.

7 189. Defendants' business practices are unlawful under §17200 because they constitute an  
8 illegal “endless chain” as defined under, and prohibited by, California Penal Code § 327.

9 190. Defendants utilize the illegal endless chain scheme with the intent, directly or  
10 indirectly, to convince Consultants to recruit others and buy unneeded Arbonne products. Defendants  
11 contrived, prepared, set up, proposed, and/or operated the Arbonne endless chain scheme.

12 191. As a direct result of Defendants' unlawful operation and perpetuation of a  
13 pyramid/endless chain scheme, Defendants wrongfully acquired money from Plaintiffs and members  
14 of the class.

15 Defendants' Business Practices are Fraudulent

16 192. Under California Business and Professions Code § 17200, a “fraudulent” business  
17 practice is one that is likely to deceive the public.

18 193. Defendants' business practices are fraudulent because (i) Arbonne is an illegal and  
19 deceptive “endless chain scheme” and (ii) Arbonne's “business opportunity” was marketed and sold  
20 as available for everyone, yet it is not a true business opportunity.

21 194. Defendants promoted participation in the Arbonne endless chain scheme, which has a  
22 compensation program based on payments to participants for the purchase of product by participants,  
23 not the retail sale of products or services.

1           195. Defendants made numerous misleading representations about the business opportunity  
2 of Arbonne and the income that a recruit or Consultant can realize by becoming a Consultant and  
3 participating in the scheme.

4           196. Defendants knew, or should have known, that the representations about the business  
5 opportunity of Arbonne were misleading in nature.

6           197. As a direct result of Defendants' fraudulent representations and omissions regarding  
7 the Arbonne endless chain scheme, Defendants wrongly acquired money from Plaintiffs and the  
8 Class members.

9           198. Defendants touted in numerous different ways, as part of a massive advertising  
10 campaign, that Arbonne was a lawful business opportunity when, in fact, it was an unlawful pyramid  
11 scheme.

12           199. The massive advertising campaign included among other things, audio and video  
13 recordings, emails, websites, presentations, training, word of mouth among consultations, and events.

14           200. In reality, the "business opportunity" was only for a select few participants. As  
15 described above, the overwhelming majority of Consultants lost money from their participation in  
16 Arbonne.

17           201. Defendants knew, or should have known, that the selective information presented to  
18 Consultants in the Independent Consultant Compensation Summary, its complicated compensation  
19 structure, and its advertising campaign touting its purported "business opportunity" was likely to  
20 mislead the public and did in fact mislead the public into believing there was a legitimate "business  
21 opportunity" in which Consultants, or a large portion of them, could make money in either a full or  
22 part time capacity.

23           202. As a direct result of Defendants fraudulent representations and omissions regarding  
24 the "business opportunity," Arbonne wrongly acquired money from Plaintiffs and the class members.  
25



Defendants' Business Practices are Unfair

203. Under California Business and Professions Code § 17200, a business practice is “unfair” if it violates established public policy or if it is immoral, unethical, oppressive or unscrupulous and causes injury which outweighs its benefits.

204. For the reasons set forth herein and above, Defendants’ promotion and operation of an unlawful and fraudulent endless chain scheme and its fraudulent representations and omissions regarding its purported “business opportunity” are unethical, oppressive, and unscrupulous in that Defendants are and have been duping Plaintiffs and the class members out of hundreds of millions of dollars.

205. As a direct result of Defendants’ operation and perpetuation of an unfair pyramid/endless chain scheme, Defendants wrongfully acquired money from Plaintiffs and members of the class.

206. Defendants’ actions have few, if any, benefits. Thus, the injury caused to Plaintiffs and the class members easily and dramatically outweighs the benefits.

207. Defendants should be made to disgorge all ill-gotten gains and return to Plaintiffs and the class members all wrongfully taken amounts of money.

**COUNT FOUR**

**Unjust Enrichment**

**Against Arbonne**

208. Plaintiffs incorporate by reference all allegations set forth above.

209. Arbonne operates a pyramid scheme under Delaware, California, and federal law.

210. The Arbonne pyramid scheme is a plan or operation by participants give cash consideration for the opportunity to receive compensation derived primarily from recruiting, rather than from the sale of Arbonne products by the Consultants.

216. Arbonne should be required to return to Plaintiffs and each Class Member all the money each paid Arbonne pursuant to its illegal pyramid scheme, less any money Arbonne paid Plaintiffs and Class Members, or that amount of profit Arbonne earned from its association with the Plaintiffs and each Class Member.

## Against All Defendants

218. Each Defendant is a “person” for purposes of RICO, 18 U.S.C. § 1962, because each is, and was at all relevant times, an individual or entity capable of holding legal or beneficial interest in property.

1           219. The Defendants in this action form an “enterprise” under 18 U.S.C. § 1962, in that  
2 they are a group of individuals and entities associated in fact, although they are not a legal entity,  
3 with the shared purpose of perpetrating, operating, and promoting a pyramid scheme.

4           220. The association-in-fact has a longevity sufficient to permit the Defendants to pursue  
5 the enterprise’s purpose—the perpetuation of an unlawful pyramid scheme. Arbonne was formed in  
6 1980. The Individual Defendants joined Arbonne on the following dates and are presently still part  
7 of the Arbonne enterprise:  
8

|    |                       |      |
|----|-----------------------|------|
| 9  | Donna Johnson:        | 1987 |
| 10 | Cassandra House:      | 2013 |
| 11 | Tarrah Brandsma:      | 2006 |
|    | Iain Pritchard:       | 2008 |
|    | Deborah Carroll Neal: | 2006 |

12           221. There is an identifiable hierarchy and framework within the enterprise. It is directed  
13 by Arbonne, which promulgates the Contracts. The Consultants adhere to and promote the Contracts,  
14 and the Individual Defendants recruit new Consultants into the Arbonne pyramid scheme. The  
15 Individual Defendants and Arbonne work in concert to promote the pyramid scheme.  
16

17 **B. Defendants Willfully and Knowingly Engaged in Racketeering Activity by Participating**  
18 **in a “Scheme and Artifice” to Defraud**

19           222. Defendants have used false and fraudulent pretenses to obtain money and property  
20 from the Plaintiffs and the Class.

21           223. First, Defendants promoted and/or operated the pyramid scheme, which, by its very  
22 nature, is a *per se* scheme and artifice to defraud under the mail and wire fraud statutes.

23           224. Second, Defendants have promoted the pyramid scheme through numerous false  
24 representations, all to obtain profit. Defendants’ false representations include misleading statements  
25 regarding the financial opportunity presented by Arbonne and false statements that Arbonne’s  
26 marketing scheme is legal and is not a pyramid scheme. The misleading and false statements  
27  
28

Defendants have made in furtherance of the pyramid scheme are more specifically described in paragraphs 126-145, *supra*.

225. Third, Defendants promoted Arbonne's pyramid scheme by omitting material facts for the purpose of and with the intention of defrauding and obtaining money from the victims. For example, the Defendants:

- represented that Arbonne was a legitimate MLM without disclosing that Arbonne is really an illegal pyramid scheme;
- represented that Arbonne was based on retail sales to non-Consultants when, in fact, few sales are made to non-Consultants;
- claimed that Consultants could make significant amounts of money by selling Arbonne products at retail, when in fact very few Consultants are able to profitably sell products at retail; and
- implied that Consultants could achieve the top ranks of Arbonne with sufficient effort and hard work, when in fact it is virtually impossible to achieve the top ranks of Arbonne.

226. Defendants acted with specific intent to perpetrate and operate a pyramid scheme. Defendants were well aware that their operation and/or promotion of Arbonne would result in the recruitment of more Consultants who would pay money into the Arbonne scheme, which money would be used to pay the Consultants and other persons in the pyramid. The Defendants specifically desired Consultants to pay money in the Arbonne scheme, which money would be used to pay Arbonne, the Individual Defendants, and other persons in the pyramid.

**C. Defendants Engaged in a Pattern of Racketeering Activity.**

227. Defendants' numerous acts of mail fraud and wire fraud amount to a pattern of racketeering activity because they are continuous and related.

228. Continuity of Activity: The pyramid scheme began in 1980 with the creation of Arbonne and each Individual Defendant joined the racketeering enterprise on or about when each joined Arbonne as listed above. Arbonne and the Individual Defendants continue to the present to promote and/or operate the pyramid scheme. Arbonne and the Individual Defendants have engaged

1 in multiple acts to promote and/or operate the pyramid scheme, and Arbonne and each of the  
2 Individual Defendants are actively working now to perpetuate the pyramid scheme into the future.

3 229. Relatedness of Activity: The predicate acts of mail and wire fraud are related because  
4 they had the same or similar purpose: to convince new Consultants to pay to join the Arbonne  
5 pyramid scheme, to convince those Consultants to recruit new Consultants, and to perpetuate the  
6 pyramid scheme. These predicate acts had the same result: convincing Consultants to join  
7 Arbonne's pyramid scheme by paying money, having those Consultants recruit new Consultants to  
8 do the same, and perpetuating the pyramid scheme. The predicate acts had the same participants:  
9 Arbonne, Arbonne's executives and the Individual Defendants and other high-level Consultants in the  
10 Arbonne organization, each of whom operated and/or promoted Arbonne's pyramid scheme. The  
11 predicate acts had the same victims: Consultants who participated in Arbonne's pyramid scheme and  
12 received less money from Arbonne than they paid Arbonne. Finally, the predicate acts had similar  
13 methods of commission: fraudulent representations concerning numerous aspects of Arbonne's  
14 operations made via online presentations, video and telephonic conference calls, in-person  
15 gatherings, written materials, and blog posts, and the operation of the pyramid scheme, using the  
16 wires and mail. In sum, the predicate acts of wire and mail fraud committed by Defendants constitute  
17 an intricately related set of predicate acts sufficient to meet the relatedness standard.

18 **D. Effect on Interstate Commerce**

19 230. The pyramid scheme affected interstate commerce by reason of, at least, Defendants'  
20 numerous acts or omissions constituting use of the mail or interstate wire communication facilities in  
21 furtherance of their scheme to defraud. Additionally, each enterprise affected interstate commerce  
22 because the members comprising it engaged in business in several states and made use of the mail  
23 and interstate communications facilities in the process of doing so by causing marketing and  
24  
25  
26  
27  
28

1 promotional materials for Arbonne, as well as images, videos, and information to be communicated  
2 through regular mail and via the internet.

3 **E. Mail and Wire Fraud**

4 231. Defendants committed racketeering acts by operating and promoting an illegal  
5 pyramid scheme through the use of the mail or private or commercial carriers, such as UPS, and by  
6 transmitting and causing others to transmit, by means of wire in interstate commerce, writing, signs,  
7 signals, pictures, and sounds, all in furtherance of and for purposes of executing a scheme or artifice  
8 to defraud, namely an illegal pyramid scheme.  
9

10 232. Arbonne distributed many hundreds of thousands of pieces of promotional literature,  
11 statements, checks, and other mailings to many people by commercial carriers or USPS since its  
12 inception. Arbonne and the Individual Defendants used the internet to disseminate, publish, and  
13 spread the pyramid scheme throughout the United States for the purpose of executing their scheme or  
14 artifice to defraud in violation of RICO.  
15

16 233. Arbonne maintains its own website as well as an internet portal where Consultants  
17 gain access to exclusive Arbonne information and the ability to purchase Arbonne products by  
18 inputting credit card information. In addition, Arbonne and the Individual Defendants use outlets like  
19 YouTube, Facebook, Twitter, and other websites to disseminate information about Arbonne's  
20 pyramid scheme or transmission of signals, pictures, or information. Each such transmission is a  
21 separate act of wire fraud.  
22

23 **F. Injury**

24 234. As a direct and proximate result of Defendants' acts of mail and wire fraud, Plaintiffs  
25 and the Class Members were injured in their business or property. Plaintiffs and the Class Members  
26 spent more money than they have obtained in commissions and/or bonuses as a result of their  
27 involvement with Arbonne. The precise amount lost by the Classes has not yet been determined, but  
28

1 is estimated at over \$100 million. The precise amounts that each and every participant in the pyramid  
 2 scheme has (i) spent on costs associated with the Consultant “business opportunity” and (ii) received  
 3 in commissions or bonuses or other payments from Arbonne as a result has been tracked, maintained,  
 4 and accounted for by Arbonne. Thus, the precise loss of every Class Member is capable of being  
 5 easily ascertained in this litigation, and the total business injury is capable of being computed for the  
 6 Classes.

7  
 8 235. The Plaintiffs and the Class Members are the foreseeable victims of the pyramid  
 9 scheme and Defendants’ acts of mail and wire fraud. The Plaintiffs and the Class Members are all  
 10 Downline recruits who were unable to recoup their payments into the scheme. The Plaintiffs and the  
 11 Class Members are necessary to the pyramid scheme and are the direct victims of the pyramid  
 12 scheme.

### 13 **COUNT SIX**

#### 14 **Racketeering Activity—18 U.S.C. §§ 1961(5) and 1962(D)**

#### 15 **Against All Defendants**

16 236. Plaintiffs incorporate by reference all allegations set forth above.

17  
 18 237. Section 1962(d) makes it “unlawful for any person to conspire to violate any of the  
 19 provisions of subsection (a), (b), or (c) of this section.”

20 238. Defendants intentionally and willfully participated in a conspiracy to engage in Count  
 21 Five. Defendants knew about and agreed to facilitate the pyramid scheme.

22 239. Defendants participated in the Arbonne pyramid scheme and their participation is  
 23 necessarily a combination of more than two individuals. Defendants have committed one or more  
 24 overt acts to achieve or further the unlawful objects and purposes of the pyramid scheme detailed  
 25 herein.  
 26

27 240. Defendants had a meeting of the minds on the object or course of action, specifically  
 28 to create, support and maintain the pyramid scheme for their financial benefit as evidenced by



Defendants' voluntary and knowing participation in the pyramid scheme, and the similarity and consistency of their conduct.

241. Defendants' creation, support, and maintenance of the pyramid scheme is illegal.

242. Each Defendant violated Section 1962(c) and are liable, jointly and severally, for the business injury caused to the Plaintiffs and the Class Members by his, her, or its actions.

### **JURY DEMAND**

Plaintiffs, on their own behalf and on behalf of the Class Members, demand a trial by jury on all issues.

### **PRAYER FOR RELIEF**

Plaintiffs request the following relief:

- a. A declaration that the Contracts are void;
- b. Damages for the financial losses incurred by Plaintiffs and by the Class because Defendants perpetrated a pyramid or endless chain scheme;
- c. Treble damages under RICO;
- d. Restitution and disgorgement of monies Plaintiffs and the Class paid Defendants;
- e. Disgorgement of any profits Defendants made from its receipt of monies from Plaintiffs and the Class;
- f. The cost of suit including reasonable attorneys' fees under California Code of Civil Procedure § 1021.5, Civil Code § 1689.2, and otherwise by law; and
- g. For such other damages, relief and pre-and post-judgement interest as the District Court may deem just and proper.

REID COLLINS & TSAI LLP  
1301 S. CAPITAL OF TEXAS HWY., BLDG. C, SUITE 300  
AUSTIN, TEXAS 78746

REID COLLINS & TSAI LLP  
PETER LAW GROUP

Dated: October 19, 2017

By: /s/ Arnold Peter  
Arnold P. Peter

*Attorneys for Plaintiffs*  
CYNTHIA DAGNALL and  
MICHAEL DAGNALL, individually  
and on behalf of all others similarly situated  
persons

**CERTIFICATE OF SERVICE**

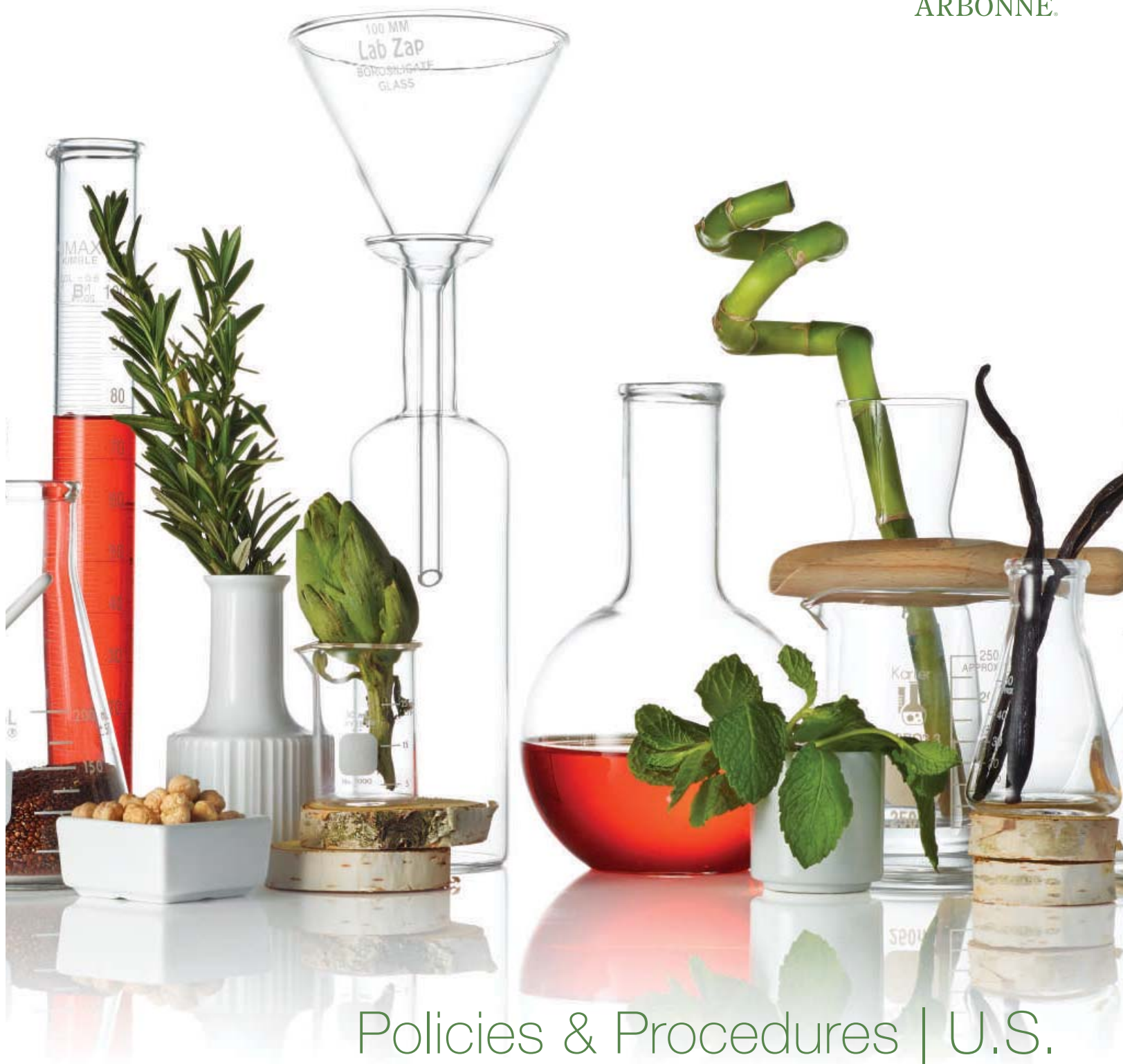
*Dagnall v Arbonne International, LLC*

*Case No. 8:17-cv-01214*

I hereby certify that on October 19, 2017, I electronically transmitted the foregoing **FIRST AMENDED COMPLAINT** with the Clerk of the Court of the United States Central District Court by using the CM/ECF System for filing, and that the CM/ECF System will send a copy via electronic notice to all registered ECF participants.

/s/ Andrea Ramirez

# EXHIBIT A



Policies & Procedures | U.S.

as of September 2014



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# Policies & Procedures | U.S.

## United States and its territories as of September 2014

Capitalized terms apply throughout the Policies & Procedures and are defined in Section 11.

### SECTION 1 — GENERAL PROVISIONS

#### 1.1. YOUR CONTRACT WITH ARBONNE

The contract between Arbonne International, LLC ("Arbonne") and each Arbonne Independent Consultant includes:

- The Independent Consultant Application & Agreement Legal Terms & Conditions;
- The Policies & Procedures;
- The Arbonne SuccessPlan;
- The Arbonne Independent Consultant Code of Ethics;
- The Legal Terms & Conditions on Arbonne's official website; and
- Arbonne's Privacy Policy on Arbonne's official website.

These documents are collectively referred to throughout these Policies & Procedures as the "Agreement." Arbonne reserves the right to update and amend these documents periodically at the company's sole discretion.

#### 1.2. AMENDMENTS TO THE AGREEMENT

No Arbonne Independent Consultant of any status may alter, amend or waive any provision of the Agreement, and any representation or statement to the contrary, or which is inconsistent with the foregoing, should not be relied upon and will not be binding on Arbonne. Arbonne Independent Consultants agree that they will be bound by any changes to the Agreement 30 days after notice of the amendment is published in commercially reasonable fashion, which includes, but is not limited to, posting online at Arbonne's website, and that they have a duty to keep apprised of any such changes by either reviewing these materials online or by requesting a copy from Arbonne prior to making any additional purchases. If an Arbonne Independent Consultant does not agree to any amendment, he or she shall cancel his or her Independent Consultant Agreement in writing no later than the effective date of the amendment.

Arbonne reserves the right to periodically amend or modify the Agreement at its sole discretion. Each Arbonne Independent Consultant agrees to abide by the Agreement and all amendments and modifications.

#### 1.3. SEVERANCE OF INVALID PROVISIONS

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

#### 1.4. INDEPENDENT CONTRACTOR STATUS

Every Arbonne Independent Consultant is an independent contractor, not an employee of Arbonne. Each Arbonne Independent Consultant is a self-employed independent businessperson who conducts business under an agreement with Arbonne. Arbonne Independent Consultants are not purchasers of an intangible franchise or a distributorship. The Agreement between Arbonne and the Arbonne Independent Consultant does not create an employer/employee relationship, partnership or joint venture between Arbonne and the Arbonne Independent Consultant, and the Arbonne Independent Consultant shall not, and does not have the authority to, bind Arbonne to any obligation or liability, except as expressly stated in this Agreement. The Agreement authorizes you to sell

and establishes your rights and responsibilities in connection with the sale of Arbonne products and presentation of the Arbonne opportunity.

#### 1.5. INDEPENDENT CONTRACTOR OBLIGATIONS

- YOU WILL NOT BE TREATED AS AN EMPLOYEE FOR FEDERAL OR STATE TAX PURPOSES, OR FOR ANY OTHER REASON. Arbonne will not withhold any sums from Arbonne Independent Consultant earnings for tax purposes other than legally required backup withholdings should an Arbonne Independent Consultant provide an incorrect Social Security or taxpayer identification number. Each Arbonne Independent Consultant is solely responsible for and must pay all federal, state, and local FICA, or taxes applicable to all fees, commissions, overrides, bonuses, trips and other items of value he or she receives from Arbonne.
- Each Arbonne Independent Consultant is solely responsible for his or her own activities, commitments and contracts, and all liabilities, obligations and expenses which the Arbonne Independent Consultant incurs.
- Each Arbonne Independent Consultant is solely responsible for complying with all laws applicable to his or her business.
- Each Arbonne Independent Consultant sets his or her own hours and supplies his or her own equipment and tools for operating his or her business, such as telephones, transportation, professional services, office equipment and supplies. Each Arbonne Independent Consultant should determine his or her own methods of sale, so long as he or she complies with the Agreement.
- Each Arbonne Independent Consultant must maintain his or her own income and expense records to satisfy applicable federal, state/providences and local income and sales tax requirements. Following the close of each year, Arbonne will provide an IRS Form 1099 for tax reporting to the Arbonne Independent Consultants for tax reporting with earnings exceeding \$600 per year or product purchases totaling more than \$5,000 per year.
- Each Arbonne Independent Consultant must provide his or her own workers' compensation insurance, if required or applicable.
- Each Arbonne Independent Consultant must provide all insurance coverage required or desired by the Arbonne Independent Consultant with respect to his or her business, including, without limitation, medical and hospitalization insurance, automobile insurance and general comprehensive liability insurance.
- Each Arbonne Independent Consultant must obtain all necessary licenses, permits and other governmental approvals applicable to his or her business, including qualifications to transact business in states other than his or her domicile.

**1.6. WARRANTIES, LIMITED LIABILITY AND INDEMNITY****1.6.1. NO EXPRESS OR IMPLIED WARRANTIES**

EXCEPT AS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT, ARBONNE DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, COMPATIBILITY, SECURITY, ACCURACY, OR USEFULNESS WITH RESPECT TO ARBONNE'S PRODUCTS AND SERVICES, ITS WEBSITE, INFORMATION CONTAINED ON THE WEBSITE, THE ARBONNE REPLICATED WEBSITE PROGRAM, OR THE ARBONNE OPPORTUNITY (COLLECTIVELY HEREFTER, "SERVICE").

THIS SERVICE IS PROVIDED "AS IS." YOU MAY RELY ON THIS SERVICE SOLELY AT YOUR OWN RISK. ADVICE, OPINIONS AND STATEMENTS SHOULD NOT BE RELIED UPON WHEN MAKING IMPORTANT PERSONAL, MEDICAL, LEGAL OR FINANCIAL DECISIONS. YOU SHOULD CONSULT A PROFESSIONAL TO OBTAIN SPECIFIC ADVICE APPROPRIATE TO YOUR CIRCUMSTANCES. WE DO NOT WARRANT THAT THIS SERVICE WILL BE UNINTERRUPTED OR ERROR-FREE, AND THERE MAY BE DELAYS, OMISSIONS, INTERRUPTIONS AND INACCURACIES IN THE INFORMATION OR OTHER MATERIALS THAT ARE AVAILABLE ON OR THROUGH THIS SERVICE. YOU ASSUME FULL RESPONSIBILITY AND RISK OF LOSS, INCLUDING LOSS OF DATA, RESULTING FROM YOUR DOWNLOADING AND/OR USE OF ARBONNE'S WEBSITE OR THIS SERVICE. USE OR CONTINUED USE OF THIS SERVICE BY AN INDEPENDENT CONSULTANT CONSTITUTES HIS OR HER AGREEMENT TO ABIDE AND BE BOUND BY THE TERMS GOVERNING THESE SERVICES, INCLUDING ANY MODIFICATIONS THERETO WHICH ARE EFFECTIVE UPON POSTING. ALTHOUGH WE INTEND TO TAKE REASONABLE STEPS TO PREVENT THE INTRODUCTION OF VIRUSES AND OTHER DESTRUCTIVE MATERIALS TO THIS SERVICE, WE DO NOT GUARANTEE OR WARRANT THAT THIS SERVICE OR MATERIALS THAT MAY BE DOWNLOADED FROM THIS SERVICE DO NOT CONTAIN SUCH DESTRUCTIVE FEATURES. FURTHER, TO THE EXTENT THIS SERVICE PROVIDES LINKS TO THIRD PARTY WEBSITES OR RESOURCES, ARBONNE IS NOT RESPONSIBLE FOR THE AVAILABILITY OF SUCH THIRD PARTY WEBSITES OR RESOURCES, NOR THE CONTENT OR OTHER MATERIAL FROM SUCH WEBSITES OR RESOURCES. ARBONNE IS NOT LIABLE FOR ANY DAMAGES OR HARM ATTRIBUTABLE TO THE FOREGOING.

ARBONNE MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING ARBONNE INDEPENDENT CONSULTANT REPLICATED WEBSITES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS OF PURPOSE. YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR WARRANTIES CONTAINED ON ANY ARBONNE INDEPENDENT CONSULTANT REPLICATED WEBSITE.

THE FINAL SUCCESS OR FAILURE OF ANY ARBONNE INDEPENDENT CONSULTANT DEPENDS UPON HIS OR HER INDIVIDUAL EFFORT. THERE ARE NO GUARANTEES OR PROJECTIONS OF ACTUAL EARNINGS.

ARBONNE SHALL NOT BE RESPONSIBLE FOR DELAYS OR FAILURES IN PERFORMANCE OF ITS OBLIGATIONS WHEN PERFORMANCE IS MADE COMMERCIALY IMPRACTICABLE DUE TO CIRCUMSTANCES BEYOND ITS REASONABLE CONTROL. THIS INCLUDES, WITHOUT LIMITATION, STRIKES, LABOR DIFFICULTIES, RIOT, WAR, FIRE, DEATH, AND CURTAILMENT OF A PARTY'S SOURCE OF SUPPLY, OR GOVERNMENT DECREES OR ORDERS.

**1.6.2. LIMITED LIABILITY**

EXCEPT AS OTHERWISE STATED HEREIN, EACH ARBONNE INDEPENDENT CONSULTANT AGREES THAT ARBONNE, ITS AFFILIATES, AGENTS, ARBONNE INDEPENDENT CONSULTANTS, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS WILL NOT BE LIABLE FOR ANY CLAIM, LOSS, DAMAGES, EXPENSES OR COSTS WHETHER DIRECT OR INDIRECT, INCLUDING CONSEQUENTIAL OR SPECIAL DAMAGES, LOST PROFITS OR OTHERWISE, ARISING OUT OF OR RELATING IN ANY WAY TO THIS AGREEMENT, THE USE OR INABILITY TO USE THIS SERVICE, THE PURCHASE OR USE OF ARBONNE GOODS, SERVICES OR INFORMATION, PARTICIPATION AS AN ARBONNE INDEPENDENT CONSULTANT, OR FROM UNAUTHORIZED ACCESS TO OR ALTERATION OF ANY TRANSMISSIONS OR DATA. EACH ARBONNE INDEPENDENT CONSULTANT HEREBY WAIVES ANY CLAIMS WITH RESPECT THERETO, WHETHER BASED ON CONTRACTUAL, TORT, OR OTHER GROUNDS, EVEN IF ARBONNE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SOME JURISDICTIONS DO NOT ALLOW FOR LIMITED LIABILITY OR EXCLUSION OF IMPLIED WARRANTIES, SO NOT ALL OF THE ABOVE LIMITATIONS MAY APPLY.

**1.6.3. INDEMNITY AND HOLD HARMLESS AGREEMENT**  
IN THE CONDUCT OF AN ARBONNE INDEPENDENT CONSULTANT BUSINESS, EACH ARBONNE INDEPENDENT CONSULTANT AGREES TO REFRAIN FROM ALL CONDUCT THAT MIGHT BE HARMFUL TO THE REPUTATION OF ARBONNE OR ITS PRODUCTS, INCLUDING BUT NOT LIMITED TO, CONDUCT INCONSISTENT WITH THE PUBLIC INTEREST OR CONDUCT THAT IS DECEPTIVE, MISLEADING, UNETHICAL OR IMMORAL. EACH ARBONNE INDEPENDENT CONSULTANT AGREES TO HOLD HARMLESS AND INDEMNIFY ARBONNE, ITS AFFILIATES, AGENTS, ARBONNE INDEPENDENT CONSULTANTS, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS FOR ANY CLAIMS, DAMAGES OR LIABILITIES (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS) ARISING OUT OF BUSINESS PRACTICES BY THE ARBONNE INDEPENDENT CONSULTANT, INCLUDING BREACH OF ANY OF ARBONNE'S POLICIES & PROCEDURES OR OTHER AGREEMENTS. EACH ARBONNE INDEPENDENT CONSULTANT ALSO SPECIFICALLY AUTHORIZES ARBONNE TO OFFSET ANY SUCH CLAIMS, COSTS, EXPENSES, DAMAGES OR LIABILITIES AGAINST ANY AND ALL COMMISSIONS PAYABLE TO THE ARBONNE INDEPENDENT CONSULTANT. EACH ARBONNE INDEPENDENT CONSULTANT ALSO AGREES TO INDEMNIFY AND HOLD HARMLESS ARBONNE, ITS AFFILIATES, AGENTS, ARBONNE INDEPENDENT CONSULTANTS, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY AND ALL LIABILITIES, CLAIMS, EXPENSES AND DAMAGES, INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS, ARISING OUT OF OR IN ANY WAY RELATED TO HIS OR HER USE OF THIS SERVICE, PURCHASE, SALE OR INFORMATION REGARDING ARBONNE PRODUCTS, THE ARBONNE OPPORTUNITY, OR IN CONNECTION WITH HIS OR HER ACCOUNT OR ANY OTHER PERSON'S USE OR ACCESS TO THIS SERVICE BY OR THROUGH HIS OR HER ACCOUNT, WITH OR WITHOUT HIS OR HER PERMISSION, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF LIBEL, DEFAMATION, VIOLATION OF RIGHTS OF PRIVACY OR PUBLICITY, TRESPASS, AND INFRINGEMENT OF INTELLECTUAL OR OTHER PROPRIETARY RIGHTS.

## SECTION 2 — ENROLLMENT, BUSINESS STRUCTURES AND TRANSFERS

### 2.1. BECOMING AN ARBONNE INDEPENDENT CONSULTANT

To become an Arbonne Independent Consultant, one must electronically submit a properly completed Independent Consultant Application & Agreement to Arbonne through its website or an Arbonne Independent Consultant replicated website, together with the appropriate Registration Fee. Arbonne reserves the right to reject any new or renewal application. Without limiting Arbonne's rights, an Arbonne Independent Consultant must be 18 years of age or older and may not:

- Be in jail or prison or otherwise confined to a correctional institution;
- Have ever been convicted of, or plead guilty or nolo contendere to, any felony or any misdemeanor that Arbonne determines in its sole discretion involves fraud, dishonesty, or moral turpitude; and
- Be a current employee, officer or director of Arbonne or its affiliated companies or the immediate household member of any of the foregoing.

After the application is accepted and processed by Arbonne, Arbonne will register the person submitting the application as an Arbonne Independent Consultant and provide him or her with a non-transferable Arbonne ID and Starter Kit. Incomplete or rejected Independent Consultant Application(s) & Agreement(s) will not be processed. The Registration Fee is not a service or franchise fee, but is rather to offset costs incurred by Arbonne for educational development costs, business materials and administrative costs. No product or inventory purchase by the Arbonne Independent Consultant is required and there are no other fees or costs, except for an Annual Renewal Fee.

The Agreement will automatically renew at the end of the month that is 12 months following a new Arbonne Independent Consultants' start date, or the Anniversary Month. There is an annual renewal fee plus tax for all Arbonne Independent Consultants. An Arbonne Independent Consultant will be informed of the current renewal fee rate plus tax prior to the renewal fee being charged. If an Arbonne Independent Consultant has a credit card on file with Arbonne, Arbonne will automatically charge this credit card for the renewal fee on the second day of the Arbonne Independent Consultant's Anniversary Month. Any Arbonne Independent Consultant who does not wish to have his or her card automatically charged for the renewal fee may unsubscribe through his or her account on Arbonne's website or by contacting Arbonne's customer service before the second day of his or her Anniversary Month. It is the responsibility of the Arbonne Independent Consultant to track an upcoming renewal date and be prepared for the upcoming renewal fee.

Arbonne Independent Consultants must pay their renewal fee annually and agree to the latest terms in the Agreement. Payment of this fee will constitute an agreement to the terms of the latest Agreement and allow the Arbonne Independent Consultant to remain as an Arbonne Independent Consultant for an additional 12 months, until the next renewal date. Failure to pay the annual renewal fee by an Arbonne Independent Consultant will result in the deactivation of that Arbonne Independent Consultant on the last day of the month following the renewal month. Once an Arbonne Independent Consultant has been deactivated, he or she may reapply under the same Sponsor, or must wait six months before reapplying under any new Sponsor. Arbonne Independent Consultants who pay the renewal fee but who have not met the Personal Qualifying Volume maintenance requirements as set forth in the SuccessPlan will be reclassified to Preferred Client.

### 2.2. FILLING OUT AND SUBMITTING ENROLLMENT APPLICATIONS

No Arbonne Independent Consultant shall present the Arbonne opportunity as anything other than an opportunity available to anyone regardless of race, gender, nationality, sexual orientation or religious or political beliefs to any person. Sponsors are encouraged to assist prospects in filling out an online Independent Consultant Application & Agreement. Sponsors may not sign or submit an online application on behalf of an applicant. The applicant should personally submit the application to Arbonne's website, at which time he or she will be deemed to have accepted the terms of the Agreement.

### 2.3. SOCIAL SECURITY OR TAX ID NUMBER REQUIRED

In order for Arbonne to comply with IRS regulations, it must have a valid Social Security number or Federal Tax ID number to provide the required 1099 reporting. This information is held in strictest confidence and used only to process your request, to comply with governing laws and for protection of each Arbonne Independent Consultant's Arbonne business.

### 2.4. BUSINESS ENTITIES

An Arbonne Independent Consultant may choose to operate through a corporation, limited liability company, partnership or trust (collectively referred to as a "Business Entity") by submitting a properly completed Business Entity Registration Form along with the Independent Consultant Application & Agreement. It is the responsibility of the Business Entity to have its own bylaws or operating agreement to govern the rights and relationship between the Participants (defined below). The following rules apply to all Business Entities:

- The Business Entity must be for the sole purpose of conducting an Arbonne business and may not conduct any other business. This condition precludes Arbonne Independent Consultants from putting an Arbonne business into an existing Business Entity that is used to conduct any other business.
- The Business Entity Registration Form must be signed by all of the shareholders, members, partners, trustees or any person holding an ownership interest or management position in the Business Entity (collectively "Participants"). Participants of the Business Entity are jointly and severally liable for any indebtedness or other obligations to Arbonne.
- One individual must be designated by the Business Entity to receive recognition or to participate in incentive awards on behalf of the Business Entity. This individual shall be designated as the authorized company contact, or the "Contact Person," on the Business Entity Registration Form. The Contact Person is the Participant in the Business Entity who is designated by the Business Entity to receive communications, recognition, and non-divisible forms of remuneration (including but not limited to cash bonuses) from Arbonne. Arbonne may collectively recognize all Participants of a Business Entity for purposes of title or achievement award recognition so long as the Contact Person is present and included.
- An Arbonne Independent Consultant operating his or her business as a sole proprietorship may change the form of his or her business to a partnership, limited liability company, corporation or trust, or from one type of entity to another so long as the original Arbonne Independent Consultant remains the Contact Person for the Business Entity.
- The conduct of any Participant is imputed to the Business Entity as a whole. Therefore, if any one Participant violates the Agreement, the misconduct of that Participant shall be imputed to the Arbonne Business.

## 2.5. DISSOLUTION OF BUSINESS ENTITIES

### 2.5.1. GENERAL POLICY

In preparing to dissolve a Business Entity, arrangements must be made to assure that any distribution or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties engage in a dispute over the disposition of the business, or fail to provide for the best interests of other Arbonne Independent Consultants and/or Arbonne, Arbonne may, in its sole discretion, terminate the Independent Consultant Agreement and pop-up their entire organization pursuant to Policy 2.11.

### 2.5.2. PROCEDURES DURING DISSOLUTION

While preparing to dissolve a Business Entity, and during the dissolution process, business must be conducted as follows:

- The Contact Person may, with consent of the Participant(s), operate the Arbonne business pursuant to an assignment in writing whereby the relinquishing Participants authorize Arbonne to deal directly and solely with the Contact Person. All commissions, recognition, car bonuses and other remuneration and rewards will be issued in the name of the Contact Person.
- The Participants may continue to operate the Arbonne business jointly on a "business-as-usual" basis, whereupon all compensation paid by Arbonne will be paid according to the status quo as it existed prior to the dissolution proceedings. This is the default procedure if the parties do not agree on the format set forth above.
- Under no circumstances will the SuccessLine organization of a dissolving Business Entity be divided. Similarly, under no circumstances will Arbonne split commission or bonus checks between Participants in dissolving entities. Remuneration shall always be issued to the same individual or entity.
- The former Participants of a Business Entity that relinquished its interest in the Arbonne business must wait six (6) calendar months before they are permitted to again become Arbonne Independent Consultants. Such Participants may register and purchase Arbonne products as a Client or Preferred Client during this six-month period.

## 2.6. CHANGES TO AN ARBONNE BUSINESS

### 2.6.1. SPONSOR

To protect the integrity of all SuccessLine organizations and safeguard the hard work of all Arbonne Independent Consultants, Arbonne does not permit the transfer of an Arbonne business from one Sponsor to another. Maintaining the integrity of sponsorship is critical for the success of every Arbonne Independent Consultant and SuccessLine organization.

### 2.6.2. CANCELLATION AND RE-APPLICATION

An Arbonne Independent Consultant may legitimately change organizations by voluntarily canceling his or her Arbonne business and remaining inactive (i.e., no purchases of Arbonne products, no sales of Arbonne products, no recruiting or sponsoring, and no participation in any other form of Arbonne Independent Consultant activity or operation of any other Arbonne business) for six (6) full calendar months. Any spouse or immediate household member of the former Arbonne Independent Consultant must also remain inactive during this six-month period as required by Policy 3.13. Following

the six-month period of inactivity, the former Arbonne Independent Consultant may reapply under a new Sponsor as an Arbonne Independent Consultant. Any purchases of Arbonne products as a Client or Preferred Client will not be deemed activity for purposes of determining if a former Arbonne Independent Consultant has remained inactive.

New Arbonne Independent Consultants may cancel their Agreement within three (3) days from the date on which the original application is submitted to Arbonne and re-enroll under a different Sponsor of their choice by submitting a written cancellation notice to Arbonne.

### 2.6.3. MONTANA AND ALASKA RESIDENTS

A Montana resident may cancel his or her Independent Consultant Agreement within 15 days from the date of enrollment, and may return his or her Starter Kit for a full refund within such time period. An Alaska resident may cancel his or her Independent Consultant Agreement within five (5) days from the date of enrollment, and may return his or her Starter Kit for a full refund within such time period.

## 2.7. CROSSLINE SWITCHING

Actual or attempted "Crossline Switching" is strictly prohibited. Crossline Switching includes:

2.7.1. The enrollment of an individual or entity as an Arbonne Independent Consultant who is an active Arbonne Independent Consultant in another line of sponsorship;

2.7.2. The enrollment of the spouse or other immediate household member of an active Arbonne Independent Consultant as an Arbonne Independent Consultant under any Sponsor other than as permitted under Policy 2.10;

2.7.3. The enrollment of any Business Entity as an Arbonne Independent Consultant which is owned in whole or in part by an active Arbonne Independent Consultant, the spouse, or other immediate household member of an active Arbonne Independent Consultant, in another line of sponsorship;

2.7.4. The enrollment as an Arbonne Independent Consultant of a Participant, or the spouse of a Participant, in a Business Entity that owns or operates an Arbonne business; or

2.7.5. Any artifice or mechanism that has the design or effect of allowing an active Arbonne Independent Consultant, an immediate household family member of an active Arbonne Independent Consultant, or a Participant in a Business Entity that is an active Arbonne Independent Consultant, to enroll in any position in any SuccessLine, other than in his or her original SuccessLine, except as permitted pursuant to Policies 2.6.1 and/or 2.6.2.

2.7.6. An active Arbonne Independent Consultant is: (a) any individual or Business Entity whose Arbonne Independent Consultant Application or Renewal has been accepted by Arbonne within the preceding six (6) calendar months, or (b) an individual or Business Entity that has an Arbonne Independent Consultant Application and Agreement on file and has sponsored an Arbonne Independent Consultant or registered a Preferred Client, or has placed an order for products or promotional materials as an Arbonne Independent Consultant within the preceding six (6) calendar months. Any purchases of Arbonne products as a Client or Preferred Client will not be deemed activity for purposes of determining if a former Arbonne Independent Consultant has remained inactive for 6 calendar months.

If Crossline Switching is discovered, it must be brought to Arbonne's attention immediately. Arbonne may take disciplinary action against the Arbonne Independent Consultant who switched organizations and/or those Arbonne Independent Consultants who encouraged or



participated in the Crossline Switching. Arbonne also may move the offending Arbonne Independent Consultant and/or all or part of the offending Arbonne Independent Consultant's downline back to his or her original line of sponsorship if the Company, in its sole discretion, deems it equitable and feasible to do so. However, Arbonne is under no obligation to move an offending Arbonne Independent Consultant and/or any or all of the offending Arbonne Independent Consultant's downline organization, and the ultimate disposition of the offending Arbonne Independent Consultant and his or her organization remains within the sole discretion of Arbonne. Because the facts surrounding Crossline Switching cases vary dramatically, each situation will be handled on a case-by-case basis. The registration of a Preferred Client with another SuccessLine organization will not be deemed to be Crossline Switching. However, any Arbonne Independent Consultant who registers a Preferred Client known by the Arbonne Independent Consultant to have an existing Preferred Client or Arbonne Independent Consultant account with another SuccessLine organization must adhere to the policies in this Agreement, including the Code of Ethics, when registering the Preferred Client. Arbonne Independent Consultants who encouraged or participated in any recruiting of Preferred Clients in violation of the Agreement may be subject to disciplinary action by Arbonne. Arbonne Independent Consultants waive all claims and causes of action against Arbonne, its officers, directors, employees, shareholders and agents that arise from or relate to the disposition of a Crossline Switched Arbonne Independent Consultant and/or his or her SuccessLine organization.

## **2.8. SALE, TRANSFER, OR ASSIGNMENT OF AN ARBONNE BUSINESS**

Each Arbonne Independent Consultant's business relationship to Arbonne is a personal relationship. To ensure that this personal relationship remains intact, Arbonne Independent Consultants may not sell, assign or otherwise transfer an Arbonne business to any third party other than pursuant to Arbonne's Succession Policy.

## **2.9. SUCCESSION — INHERITANCE OR INCAPACITATION**

Upon death or legally adjudicated incapacitation of an Arbonne Independent Consultant who holds the paid-as rank of Area Manager or above at the time of his or her death or legally adjudicated incapacitation, such Arbonne Independent Consultant's interest in his or her Arbonne business and SuccessLine may be passed to the Arbonne Independent Consultant's heir, trustee or other beneficiary as applicable, provided in the sole judgment and discretion of Arbonne that the Arbonne business, other Arbonne Independent Consultants in the applicable upline or Arbonne would not in any way be adversely affected by such transfer. If Arbonne determines in its sole judgment and discretion that (i) such disposition of an Arbonne business will adversely affect the Arbonne business, other Arbonne Independent Consultants or Arbonne, (ii) the heir, trustee or other beneficiary does not meet the eligibility requirements to register as an Arbonne Independent Consultant under Section 2.1, or (iii) the heir, trustee or other beneficiary is in violation of the Agreement, Arbonne may in its sole discretion terminate the applicable Arbonne Agreement and Arbonne ID, or require the designation of alternative heirs, trustees or other beneficiaries satisfactory to Arbonne.

Appropriate legal documentation must be submitted to Arbonne in connection with any transfer of an Arbonne business by an Arbonne Independent Consultant who holds the paid-as rank of Area Manager or above at the time of his or her death or legally adjudicated incapacitation. Accordingly, Arbonne encourages each Arbonne Independent Consultant to consult an attorney to prepare a will, trust or other testamentary instrument, and to include alternative heirs or beneficiaries in the event that a primary beneficiary does not meet Arbonne's expectations or standards.

Upon approval by Arbonne, whenever an Arbonne business is transferred by a will or other testamentary process, the beneficiary will acquire the right to collect all bonuses, commissions and overrides of the deceased Arbonne Independent Consultant's SuccessLine organization, subject to Arbonne's then applicable policies, and will otherwise assume all the rights and obligations of the deceased Arbonne Independent Consultant under the Agreement, and provided the following qualifications are met. The beneficiary must:

- execute and submit a new and up-to-date Independent Consultant Application & Agreement and otherwise meet all the eligibility requirements to become an Arbonne Independent Consultant;
- comply with and agree to be bound by the terms and provisions of the Agreement; and
- meet all of the qualifications for the deceased Arbonne Independent Consultant's rank and title.
- Subject to the provisions set forth above, to effectuate a testamentary transfer of an Arbonne business upon the death of an Arbonne Independent Consultant who holds the paid-as rank of Area Manager or above at the time of his or her death, the successor/beneficiary must provide the following to Arbonne:
  - a copy of the Arbonne Independent Consultant's original death certificate;
  - a notarized copy of the valid will or other testamentary instrument establishing the successor's/beneficiary's right to the Arbonne business; and
  - a completed and properly executed Arbonne Independent Consultant Application & Agreement executed by the successor/beneficiary.

Subject to the provisions set forth above, to effectuate the transfer of an Arbonne business to a trustee upon the legally adjudicated incapacitation of an Arbonne Independent Consultant who holds the paid-as rank of Area Manager or above at the time of his or her legally adjudicated incapacitation, the trustee must provide the following to Arbonne:

- a notarized copy of the Court order rendering the Arbonne Independent Consultant incapacitated and the appointment of a trustee to manage his or her affairs;
- a notarized copy of the valid trust document or other documents establishing the trustee's unqualified right to administer the Arbonne business; and
- a completed and properly executed Arbonne Independent Consultant Application & Agreement executed by the trustee.

Commission checks or deposits, as applicable, of an Arbonne business transferred pursuant to this Section will be paid in a single check or deposit, as applicable, to the new Arbonne Independent Consultant. An Arbonne business is reliant on the leadership ability of the individual Arbonne Independent Consultant. Therefore, if the Arbonne business is bequeathed to joint devisees, they must form a Business Entity, identifying the person responsible for the Business Entity's operation, acquire a federal taxpayer identification number that is supplied to Arbonne, and otherwise comply with all the requirements for such Business Entity set forth in the Agreement. Arbonne will issue all bonus and commission checks and one Form 1099 to the Business Entity.

As described in Section 2.10, if any devisee is an active Arbonne Independent Consultant, he or she must choose whether to participate in his or her original Arbonne business, or the Arbonne business inherited/transferred pursuant to this Section. He or she may not operate or directly benefit from both the existing and inherited/transferred businesses.

In cases of extreme hardship, Arbonne may, at its sole judgment and discretion, allow an Arbonne Independent Consultant's business that is below the rank of Area Manager to be devised to his or her heirs.

## **2.10. ONE BUSINESS PER ARBONNE INDEPENDENT CONSULTANT**

Arbonne Independent Consultants may have an interest in only one Arbonne business. There may be two or more Arbonne independent businesses per Immediate Household (defined below) so long as the following criteria are satisfied:

- The other business(es) in the Immediate Household (the “Junior Business”) must be placed on the front line of the first business (the “Senior business”) in the Immediate Household;
- No one under the age of 18 may be an Arbonne Independent Consultant or otherwise conduct an Arbonne business; and
- The Junior Business(es) must be a bona fide independent business that is operated by the person listed on the Arbonne Independent Consultant Application & Agreement and not by the owner of the Senior Business.

An Immediate Household includes spouses, cohabitating couples, children under the age of 18, and relatives residing in the same dwelling. Also included in the definition are students attending boarding school or college that reside at school or college during the school year, but within the dwelling of their parents or other relatives during non-school periods. Persons such as roommates and tenants who are unrelated shall not fall within the definition of an Immediate Household and may each have their own Arbonne independent business.

## **2.11. POP-UP OF SUCCESSLINE ORGANIZATION**

When a vacancy occurs in a SuccessLine due to the nonrenewal, reclassification to Preferred Client or Client, the resignation or termination of an Arbonne business, each Arbonne Independent Consultant in the front line immediately below the terminated Arbonne Independent Consultant on the date of the cancellation will be moved to the front line of the Arbonne Independent Consultant immediately upline of the terminated Arbonne Independent Consultant. For example, if A sponsors B, and B sponsors C1, C2, and C3, if B terminates her business, C1, C2, and C3 will “pop up” to A and become part of A’s first level.

## **2.12. DIVORCE ACTIONS**

In divorce cases, Arbonne shall treat the spouse whose name is on the Independent Consultant Application & Agreement as the owner of the business. Under no circumstances will Arbonne divide commissions, bonuses, recognition or other rewards, nor will Arbonne divide a SuccessLine organization between spouses. Upon the entry of a final divorce decree, the former spouse may apply as an Arbonne Independent Consultant under any line of sponsorship, and need not comply with the six (6) calendar month inactivity requirement before reapplying.

## **2.13. REQUESTS FOR RECORDS**

Any request from an Arbonne Independent Consultant for copies of invoices, applications, downline activity reports, or other records will require a fee of \$1 per page, per copy. This fee covers the expense of mailing and time required to research files and make copies of the records.

# **SECTION 3 — OPERATING YOUR ARBONNE BUSINESS**

## **3.1. OPERATING YOUR BUSINESS WITH INTEGRITY AND IN COMPLIANCE WITH LAW**

Each Arbonne Independent Consultant agrees to utilize his or her best efforts to represent and sell Arbonne products and present the Arbonne opportunity with the highest degree of professionalism, integrity, ethics and accuracy. Arbonne Independent Consultants shall safeguard and promote the good reputation of Arbonne. Arbonne Independent Consultants shall at all times conduct their Arbonne business in a manner that reflects favorably on the Arbonne products and the good name,

goodwill and reputation of Arbonne. Arbonne Independent Consultants shall not engage in deceptive, misleading, or unethical conduct or practices that are or might be detrimental to Arbonne, the Arbonne products, or the public, including, without limitation, disparagement of Arbonne or Arbonne products (as discussed in more detail below). Arbonne Independent Consultants shall comply with all laws, rules, regulations and governmental requirements applicable to the operation of their Arbonne business and performance under this Agreement, including the marketing, promotion and sale of Arbonne products. Arbonne Independent Consultants shall not participate in any activity which is illegal, or in any way may be deemed detrimental to the Arbonne name, product, opportunity, business, corporate entity or the organization of an Arbonne Independent Consultant.

## **3.2. SPONSORS’ OBLIGATIONS**

It is in the best interest of any Arbonne Independent Consultant who sponsors another Arbonne Independent Consultant into Arbonne to consider the benefits of assistance and training to ensure that his or her SuccessLine has the maximum opportunity to develop an Arbonne business.

### **3.2.1. SUPPORT**

Arbonne Independent Consultants are encouraged to have ongoing contact and communication with the Arbonne Independent Consultants in their downline organizations. Examples of such contact and communication may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voicemail, email, text messages, instant messaging, video chat, social media chat applications, or conferencing, and the accompaniment of downline Arbonne Independent Consultants to Arbonne meetings, training sessions and other functions.

### **3.2.2. TRAINING**

Upline Arbonne Independent Consultants are also encouraged to motivate and train new Arbonne Independent Consultants in Arbonne product knowledge, effective sales techniques, the Arbonne SuccessPlan, and compliance with Arbonne’s Policies & Procedures. Communication with and the training of downline Arbonne Independent Consultants must not, however, violate the policy regarding the development of “Field Training Materials” as defined and described in Policies 3.3.6 and 3.3.7.

### **3.2.3. INDEPENDENT CONSULTANT TRAINING EVENTS AND MATERIALS**

As Arbonne Independent Consultants progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge and understanding of the Arbonne program. They will be called upon to share this knowledge with lesser-experienced Arbonne Independent Consultants within their organization. Arbonne Independent Consultants may not charge other Arbonne Independent Consultants for training or require the purchase of any sales tools or materials or require attendance at meetings. If an Arbonne Independent Consultant elects to rent a meeting room to conduct a training seminar, either in person or virtual, he or she may charge a reasonable attendance fee to cover the expenses associated with renting a meeting room, modest refreshments, and other hard-costs directly associated with the event. Arbonne Independent Consultant sponsored training events must not be operated on a for-profit basis.

### **3.2.4. TRAINING ON POLICIES**

It is the responsibility of every Arbonne Independent Consultant to read, understand, adhere to and ensure that he or she is aware of and operating under the most current version of these Policies & Procedures. When sponsoring or enrolling a new Arbonne Independent Consultant, it is the responsibility of the sponsoring Arbonne Independent Consultant to

ensure that the applicant is provided with, or has online access to, the most current version of the Agreement, including without limitation these Policies & Procedures and the Arbonne SuccessPlan, prior to his or her execution of the Independent Consultant Application & Agreement.

### 3.3. ADVERTISING

#### 3.3.1. INDEMNIFICATION

Every Arbonne Independent Consultant is fully responsible for all of his or her verbal and written statements made regarding Arbonne's products, services and the SuccessPlan that are not expressly contained in Tools (as defined below in Policy 3.3.6) produced and distributed by Arbonne. Every Arbonne Independent Consultant agrees to indemnify Arbonne and Arbonne's directors, officers, employees and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorneys' fees, court costs or lost business incurred by Arbonne as a result of the Arbonne Independent Consultant's unauthorized representations or actions regarding Arbonne. This provision shall survive the termination or expiration of the Independent Consultant Agreement.

#### 3.3.2. NO GOVERNMENTAL ENDORSEMENT

Arbonne Independent Consultants shall not represent or imply that Arbonne or its SuccessPlan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

#### 3.3.3. GENERAL ADVERTISING POLICIES

Arbonne Independent Consultants may engage in local advertising in compliance with these policies. Any ad, whether in print, online, radio or television, must be accurate, professional and not misleading or deceptive in any way. Arbonne Independent Consultants are prohibited from advertising or promoting Arbonne's products, services or business opportunity through the use of mass communication methods such as national and international advertising, including through radio, television, facsimile services, classified ads and ads placed in coupon magazines or online (except as permitted by Section 4: Internet and Social Media Policies).

An Arbonne Independent Consultant may only advertise or promote his or her Arbonne business using advertisements that have been submitted to and approved by the Business Ethics Standards Team or that use ad templates or images acquired from Arbonne. No further approval is necessary to use the ad templates created and provided by Arbonne so long as they are used by the Arbonne Independent Consultant in compliance with these Policies & Procedures. An Arbonne Independent Consultant must obtain prior written approval from the Business Ethics Standards Team for all advertisements relating to his or her Arbonne business that do not utilize the Arbonne created and provided ad templates. Arbonne Independent Consultants may submit requests to the Business Ethics Standards Team via our online contact form available at the Contact Us section of Arbonne's website. If an ad includes contact information, the person identified in the ad must also identify himself or herself as an Arbonne Independent Consultant so that there will be no confusion that he or she represents him or herself and not the official corporate office. Ads may not feature specific products on sale for discounted prices or blanket discount promotions unless such ads feature an Arbonne provided promotion. Any request for approval of advertising materials that does not receive specific written approval from the Business Ethics Standards Team shall be deemed denied. No one is authorized to revise, edit or otherwise alter any ad templates provided by Arbonne or any Arbonne Independent Consultant advertising materials that have been approved by Arbonne.

Because Arbonne periodically reviews and revises its Policies & Procedures, Arbonne reserves the right to rescind any previous authorization that was given in connection with advertising materials or practices, consistent with Arbonne's current Policies & Procedures. Upon notice of such rescission, each Arbonne Independent Consultant agrees to immediately cease using such advertising materials and/or practices.

#### 3.3.4. USE OF THE ARBONNE NAME, TRADEMARKS, SERVICE MARKS AND LOGOS

The name Arbonne is a registered trademark, is of great value to Arbonne, and is licensed to Arbonne Independent Consultants for use only in an authorized manner. To that end, the Arbonne name and Arbonne's other various trademarks, service marks and logos have been registered or have pending applications for registration in multiple international jurisdictions. No one may use or apply the Arbonne name or any of Arbonne's other various trademarks, service marks or logos on or in connection with any item, product, service, tool or other material not produced or authorized in writing by Arbonne. If an Arbonne Independent Consultant wishes to use an Arbonne logo or trademark consistent with brand and trademark usage guidelines made available by Arbonne to its Independent Consultants, he or she must only use the Arbonne Independent Consultant versions of Arbonne's logos created by Arbonne and authorized for Arbonne Independent Consultant use, which can be found online at [arbonne.com](http://arbonne.com).



Arbonne Independent Consultants may use the Arbonne name to identify themselves as an Arbonne Independent Consultant in the following manner:

Arbonne Independent Consultant's Name  
Arbonne Independent Consultant, Title with Arbonne (if applicable)

Example:  
Jane Smith  
Arbonne Independent Consultant, District Manager

#### 3.3.5. STATIONERY AND BUSINESS CARDS

Arbonne Independent Consultants may only order company approved business cards and stationery, which are produced by an Arbonne approved third-party vendor, online through the Arbonne Boutique, which can be accessed through [arbonne.com](http://arbonne.com).

#### 3.3.6. PROMOTIONAL TOOLS AND SALES AIDS

Arbonne Independent Consultants are not required to purchase any promotional, marketing or advertising materials, tools, presentations, sales aids, audio or video recordings or services and the like ("Tools") to advance, become, or remain an Arbonne Independent Consultant, nor are they required to carry inventory of products or Tools for new Arbonne Independent Consultants.

All Tools used by each Arbonne Independent Consultant in his or her business of selling Arbonne products or promoting sponsorship into the Arbonne family must be produced and distributed by Arbonne. This includes printed materials, Internet and other electronic or



computer generated media, websites, promotional pieces, product descriptions, photographs, sound recordings, video recordings, CDs or DVDs, streaming or downloadable content. All official Arbonne Tools are copyrighted and may not be reproduced, in whole or in part, by Arbonne Independent Consultants or any other person. No one is authorized to revise, edit or otherwise alter any Arbonne Tools. All Tools produced and distributed by Arbonne must be used only for their intended use.

Arbonne Independent Consultants may develop, use and provide to their SuccessLine, at no charge, their own training to support and provide guidance on how to use Arbonne Tools, or "Field Training Materials," so long as such Field Training Materials do not violate any Arbonne Policies & Procedures, laws, regulations, or statutes and conform with Policy 3.3.7 below. Arbonne Independent Consultants may not sell any Arbonne produced Tools or Arbonne Independent Consultant produced Field Training Materials to other Arbonne Independent Consultants, or accept donations or gratuities in exchange for providing training and/or Field Training Materials.

Arbonne Independent Consultants may not develop, produce or distribute Tools or Field Training Materials that are confusingly similar in nature to those produced, published and provided by Arbonne, and may not imply or suggest that such Tools or Field Training Materials originate from Arbonne or are endorsed by Arbonne. Only Tools produced by Arbonne are permitted to carry the Arbonne Official Seal.



The Arbonne Official Seal

Because Arbonne periodically reviews and revises its Policies & Procedures, Arbonne reserves the right to rescind any previous authorization that was given in connection with Arbonne Independent Consultant produced Tools, Field Training Materials, promotional materials, or other practices, consistent with Arbonne's current Policies & Procedures. Upon notice of such rescission, each Arbonne Independent Consultant agrees to immediately cease using such Tools, Field Training Materials, promotional materials or practices.

### 3.3.7. REQUIRED DISCLAIMER ON ARBONNE INDEPENDENT CONSULTANT PRODUCED FIELD TRAINING MATERIALS OR ADVERTISEMENTS

The following disclaimer must CONSPICUOUSLY appear on all Field Training Materials or advertisements:

THIS FIELD TRAINING MATERIAL (OR ADVERTISEMENT) HAS BEEN PRODUCED BY <NAME OF INDEPENDENT CONSULTANT>, AN ARBONNE INDEPENDENT CONSULTANT, AND IS NOT OFFICIAL MATERIAL PREPARED OR PROVIDED BY ARBONNE. ARBONNE MAKES NO PROMISES OR GUARANTEES THAT ANY INDEPENDENT CONSULTANT WILL BE FINANCIALLY SUCCESSFUL AS EACH INDEPENDENT CONSULTANT'S RESULTS ARE DEPENDENT ON HIS OR HER OWN SKILL AND EFFORT.

ACTUAL FINANCIAL RESULTS OF ALL ARBONNE INDEPENDENT CONSULTANTS FOR THE PRECEDING YEAR ARE CONTAINED IN ARBONNE'S INDEPENDENT CONSULTANT COMPENSATION SUMMARY, WHICH IS INCLUDED WITH THESE MATERIALS. YOU MAY ALSO VIEW THE INDEPENDENT CONSULTANT COMPENSATION SUMMARY ON ARBONNE'S OFFICIAL WEBSITE AT [Arbonne.com](http://Arbonne.com).

### 3.3.8. AUDIO AND VIDEO RECORDINGS

Arbonne Independent Consultants are prohibited from making audio or video recordings of speeches, discussions or presentations made by any Arbonne company officer, authorized agent, representative or employee, unless specifically authorized in writing by an Arbonne officer. Any use or publication of such audio or video recordings (including by any electronic means) must be separately and specifically authorized by an Arbonne officer. Any such unauthorized audio or video recording shall be the property of Arbonne and shall be delivered to Arbonne upon demand with all copies destroyed at the Arbonne Independent Consultant's expense.

### 3.3.9. MEDICAL CLAIMS AND PRODUCT TESTIMONIALS

Arbonne Independent Consultants must not make any claims about any Arbonne products, either orally or in print, other than those presented in official Arbonne Tools. Arbonne Independent Consultants must not make any oral or written medical, therapeutic or curative claims (which include personal testimonials) about any Arbonne products. Arbonne Independent Consultants may not make any claim that Arbonne products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases. Such statements can be perceived as medical or drug claims. Not only are such claims violative of Arbonne policies, but they potentially violate the law. If a Client is under a physician's care for current medical treatment, Arbonne Independent Consultants are advised to recommend the Client seek the advice of their physician before undertaking any changes in diet.

### 3.3.10. INCOME REPRESENTATIONS

The financial success of an Arbonne Independent Consultant depends entirely upon that Arbonne Independent Consultant's individual effort, dedication and the training and supervision the Arbonne Independent Consultant provides to his or her SuccessLine and Arbonne business. Arbonne Independent Consultants shall not make claims or representations of potential or guaranteed income or profits in connection with an Arbonne business. Any amounts earned through an Arbonne business are based only on the sale of Arbonne products and not on the mere act of sponsoring other Arbonne Independent Consultants.

Arbonne publishes on an annual basis an Independent Consultant Compensation Summary. That Summary provides information on the average overrides and bonuses that are paid to active Arbonne Independent Consultants. The Summary is available online at [arbonne.com](http://arbonne.com) and The Source.

The Federal Trade Commission and several states have laws and/or regulations that prohibit certain types of income claims and testimonials by persons engaging in direct selling or network marketing. Therefore, Arbonne Independent Consultants may not make any projections, claims or estimates regarding such other Arbonne Independent Consultants' potential or guaranteed income from an Arbonne business. Hypothetical income examples that are used to explain the operation of the SuccessPlan, which are based solely on mathematical projections and compliant with this provision, may be presented to potential recruits, so long as Arbonne Independent Consultants who use such hypothetical examples make clear to the prospects that such earnings are hypothetical and presents a copy of Arbonne's Independent Consultant Compensation Summary and the disclaimer set forth below. Arbonne Independent Consultants may disclose to potential recruits their actual earnings, prizes or results, but only if all of the following requirements are satisfied: (1) they have documentation available to verify their income claims; (2) they provide a copy of the latest Independent Consultant

Compensation Summary in conjunction with any income representation; and (3) they fully and accurately disclose their business expenses incurred in achieving the income, prize or result as such expenses are claimed on their federal income tax return.

In addition, Arbonne Independent Consultants must make the following disclaimer in conjunction with any earnings claims:

THERE ARE NO GUARANTEES REGARDING INCOME, AND THE SUCCESS OR FAILURE OF EACH ARBONNE INDEPENDENT CONSULTANT, LIKE ANY OTHER BUSINESS, DEPENDS ON EACH ARBONNE INDEPENDENT CONSULTANT'S OWN SKILLS AND PERSONAL EFFORT. YOU SHOULD NOT RELY ON THE RESULTS OF OTHER ARBONNE INDEPENDENT CONSULTANTS AS AN INDICATION OF WHAT YOU SHOULD EXPECT TO EARN.

"Lifestyle" claims (e.g., "My Arbonne business has allowed my spouse to be a full-time homemaker"; "My Arbonne commissions have allowed me to fulfill my dreams"; "My income from Arbonne exceeded the income from my previous job after only \_\_\_ months"), are considered to be equivalent to income claims. Similarly, hypothetical income charts that are used to illustrate the commission structure are also considered to be analogous to income claims. Accordingly, the Income Disclaimer referenced above and a copy of Arbonne's Independent Consultant Compensation Summary should be provided whenever Lifestyle claims are made by Arbonne Independent Consultants in the Field.

### 3.3.11. PRINT OR ONLINE DIRECTORY LISTINGS

Only Arbonne Independent Consultants may place print or online directory listings referring to Arbonne, by listing their name, Arbonne Independent Consultant, title, phone number, website address, and/or email address in the directory. Such listings must be accompanied by the words "Arbonne Independent Consultant" and may only use the Arbonne Independent Consultant logo.

### 3.3.12. ELECTRONIC COMMUNICATIONS

An Arbonne Independent Consultant may not have voicemail, answer his or her telephone, or send an email or text communication in a manner that would lead the caller or reader to believe that he or she has reached any official corporate office of Arbonne. When using the Arbonne name, Arbonne Independent Consultants must say or write "Arbonne Independent Consultant."

### 3.4. RIGHT OF PUBLICITY AUTHORIZED

Each Arbonne Independent Consultant authorizes Arbonne to use his or her name, photo, personal story, in print, audio, video and other media, including digital marketing, to promote Arbonne's products or the Arbonne opportunity. Arbonne Independent Consultants waive all claims to remuneration for such use.

### 3.5. MEDIA INQUIRIES

Arbonne Independent Consultants should refer any inquiries by the media or press (including blogs and online news sites/forums) immediately to Arbonne's corporate offices at [communications@arbonne.com](mailto:communications@arbonne.com) and should refer any member of the media to Arbonne's public website for contact information. To preserve a consistent public image for the benefit of Arbonne and all Arbonne Independent Consultants, Arbonne Independent Consultants are not permitted to speak to the media on behalf of Arbonne or represent to the media that they are authorized to speak on behalf of Arbonne. If an Arbonne Independent Consultant responds to such inquiry or contact, Arbonne may consider him or her to be in breach of the Agreement and Arbonne may enforce its rights under the Agreement against such Arbonne Independent Consultant. Additionally, Arbonne Independent Consultants shall not proactively contact the media or any celebrity or distribute any form of press release that includes information

about Arbonne, its products or the Arbonne opportunity on behalf of Arbonne without prior written approval from Arbonne. If an Arbonne Independent Consultant has a contact that he or she thinks would benefit Arbonne, he or she may share it with Arbonne at [communications@arbonne.com](mailto:communications@arbonne.com).

### 3.6. USE OF IDEA SUBMISSIONS AUTHORIZED

Arbonne shall have the right to use any ideas, suggestions, photos, images, written material, videos or testimonials submitted to Arbonne by an Arbonne Independent Consultant in any manner that Arbonne deems appropriate, in any media including print, online, or any other means. This includes without limitation submissions for purposes of entering a contest or incentive sponsored by Arbonne, participation in a request for feedback or product test, and unsolicited or solicited material. Any submissions, including any quotes, testimonials, stories, conversations on social networking media and/or the [arbonne.com](http://arbonne.com) forum or blog, become the property of Arbonne upon submission. Each Arbonne Independent Consultant waives all claims for any compensation whatsoever in the event Arbonne elects to use any submissions.

An Arbonne Independent Consultant may only submit ideas and/or material to Arbonne if he or she has obtained appropriate copyright and other permission to submit such materials, and permits Arbonne to use such material without restriction. Each Arbonne Independent Consultant agrees that he or she will not violate or infringe upon the rights of third parties, including privacy, publicity, and intellectual and proprietary rights, such as copyright or trademark rights.

### 3.7. TARGETING REPRESENTATIVES OF OTHER DIRECT SALES COMPANIES PROHIBITED

It is against Arbonne policy to specifically and consciously target members of the sales force of another direct sales company to sell or work for Arbonne. Arbonne will not pay for the legal or defense costs, or agree to indemnify any Arbonne Independent Consultant who violates this policy. Also, if you encourage a prospect to breach or violate any agreement to which he or she is a party, you bear the risk of involvement in litigation. Arbonne will not pay any of your defense costs or legal fees, nor will Arbonne indemnify you if you are held liable.

### 3.8. CONFLICTS OF INTEREST

Arbonne Independent Consultants are free to participate in other business ventures or marketing opportunities except as set forth below.

#### 3.8.1. OTHER SELLING ACTIVITIES

Arbonne Independent Consultants may engage in other business ventures, including selling activities related to non-Arbonne products, services or business opportunities if they desire to do so, but they may not take advantage of their knowledge of, or association with, other Arbonne Independent Consultants whom they did not personally sponsor in order to promote or sell such non-Arbonne products, services or opportunities. In addition, Arbonne Independent Consultants shall not offer any non-Arbonne products, services, incentives, opportunities or business plans in conjunction with Arbonne's products or business plan or at any Arbonne conference call, meeting, seminar, launch, convention or other Arbonne function.

#### 3.8.2. CROSS-COMPANY RECRUITING AND ENTICEMENT

During the term of an Arbonne Independent Consultant's Agreement and all renewals thereof, and for a period of one year after termination, cancellation or expiration of the Arbonne Independent Consultant's Agreement for any reason, each Arbonne Independent Consultant shall not:

- Recruit (see definition of "Recruit" in Section 11) any Arbonne Independent Consultant whom he or she did not personally

sponsor to (a) join or participate in another direct selling, social selling, multilevel or network marketing (collectively "direct selling") company, or (b) sell or promote products, services or business opportunities from another direct selling company; or

- Encourage or attempt to influence or induce an Arbonne Independent Consultant to cancel or alter his or her relationship with Arbonne.

Such conduct constitutes an unwarranted and unreasonable interference with the business of other Arbonne Independent Consultants and Arbonne.

In addition, if an Arbonne Independent Consultant appears in, is referenced in, or allows his or her name or likeness to be featured or referenced in any promotional, recruiting or solicitation materials in any medium or method of distribution for another direct selling company during the term of the Arbonne Independent Consultant's Agreement and all renewals thereof, this shall constitute Recruiting for purposes of this Section 3.8.2.

Further, if Arbonne determines that an Arbonne Independent Consultant with a rank of Regional Vice President or above is participating in any program, product, service or business opportunity of a direct selling company in the same generic product or service categories as offered by Arbonne, regardless of cost differences, quality or other distinguishing factors, then Arbonne may immediately revoke the rank of such Arbonne Independent Consultant and reclassify him or her to the rank of Independent Consultant.

Arbonne Independent Consultants who violate this Conflict of Interest policy, including but not limited to any Regional Vice President or above who is reclassified to the Independent Consultant rank as described above, may also be subject to the disciplinary sanctions set forth in Sections 3.10 and 9.3.

*The provisions of this Section 3.8 shall survive the termination, cancellation or expiration of the Agreement.*

### 3.9. CONFIDENTIAL INFORMATION

All Arbonne Independent Consultant genealogical, SuccessLine, downline or group lists or business reports (collectively "SuccessLine Activity Reports") are confidential, proprietary information of Arbonne, and constitute a business trade secret belonging to Arbonne. SuccessLine Activity Reports contain critical data relating to the identities of Arbonne Independent Consultants, Clients, sales information and sponsoring activity of each Arbonne Independent Consultant's SuccessLine. They are provided to Arbonne Independent Consultants by Arbonne in strictest confidence and are made available to Arbonne Independent Consultants for the sole purpose of supporting their Clients and the Arbonne Independent Consultants in their SuccessLine organization to further develop their Arbonne business. Arbonne Independent Consultants agree to allow such personal information to be included in the SuccessLine Activity Reports provided to their upline. Arbonne Independent Consultants should use their SuccessLine Activity Reports to manage, motivate and train their SuccessLine Arbonne Independent Consultants. Every Arbonne Independent Consultant who is provided such information must treat it as confidential and take care to maintain its secrecy and refrain from making any use thereof for any purpose other than the management of his or her SuccessLine. As a result of holding the position of an Arbonne Independent Consultant, each Arbonne Independent Consultant will have access to confidential information that he or she acknowledges to be proprietary, highly sensitive and valuable to Arbonne's business, which information is being made available to the Arbonne Independent Consultant solely and exclusively for purposes of furthering the sale of Arbonne products and prospecting, training and sponsoring third parties who wish to become Arbonne Independent

Consultants, and to further build and promote his or her Arbonne business.

The Arbonne Independent Consultant and Arbonne agree that, but for this agreement of confidentiality and nondisclosure, Arbonne would not provide SuccessLine Activity Reports or other Arbonne confidential information to the Arbonne Independent Consultant. During any term of the Agreement, and for a period of five years after the termination or expiration of the Agreement between the Arbonne Independent Consultant and Arbonne, for any reason whatsoever, the Arbonne Independent Consultant shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- Disclose any Arbonne confidential information, including information contained in any SuccessLine Activity Report, to any third party directly or indirectly;
- Directly or indirectly disclose the password or other access code to his or her SuccessLine Activity Report;
- Use the SuccessLine Activity Report or any other Arbonne confidential information to compete with Arbonne, engage in activity in violation of Section 3.8 or for any purpose other than promoting Arbonne; nor
- Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any SuccessLine Activity Report obtained while the Agreement was in effect.

The provisions of this Section 3.9 shall survive the termination, cancellation or expiration of the Agreement.

### 3.10. REMEDIES FOR DISCLOSURE OF CONFIDENTIAL INFORMATION AND VIOLATION OF CONFLICTS OF INTEREST

Each Arbonne Independent Consultant acknowledges that Arbonne would suffer irreparable harm as a result of any unauthorized disclosure or use of Arbonne's confidential information, including any SuccessLine Activity Report, or recruitment or solicitation of Arbonne Independent Consultants for another direct selling company in violation of Sections 3.8 and 3.9, and that monetary damages are insufficient to compensate Arbonne for such harm. Therefore, if any Arbonne Independent Consultant is in breach of these Sections, Arbonne is entitled to an injunction or temporary restraining order, without notice to such Arbonne Independent Consultant, restraining any unauthorized disclosure or use of the confidential information or any recruiting or soliciting in violation of Sections 3.8 or 3.9 in addition to any other available remedy, including damages. In any such action, if Arbonne prevails, each Arbonne Independent Consultant agrees that he or she will reimburse Arbonne for its costs and reasonable attorneys' fees incurred in connection with taking the legal action. As to Arbonne, Arbonne Independent Consultants waive all bonding requirements otherwise applicable to a temporary restraining order and/or injunction.

The provisions of this Section 3.10 shall survive the termination, cancellation or expiration of the Agreement.

### 3.11. NON-DISPARAGEMENT

Arbonne welcomes constructive input regarding the Arbonne opportunity and Arbonne products, but publicly communicated negative comments and remarks by Arbonne Independent Consultants about Arbonne, Arbonne products, the Arbonne opportunity, Arbonne employees or other Arbonne Independent Consultants serve no purpose other than to undermine the enthusiasm of other Arbonne Independent Consultants. Arbonne Independent Consultants must not disparage Arbonne, other Arbonne Independent Consultants, Arbonne's products or services, the SuccessPlan, Arbonne's employees or those of any other competing company. Disparagement of Arbonne shall constitute a material breach of the Agreement and may result in termination.



### 3.12. REPACKAGING ARBONNE PRODUCT

Arbonne products may only be sold in their original packaging, complete with instructions for use, warning labels and ingredient list. Arbonne Independent Consultants shall not repackage, re-label, adulterate or tamper in any way with any product packaging. "Testers" or other previously used or opened product should be clearly marked as such and may not be sold.

### 3.13. ACTIONS OF HOUSEHOLD MEMBERS

If any member of an Arbonne Independent Consultant's immediate household engages in any activity which, if performed by the Arbonne Independent Consultant, would violate any provision of the Independent Consultant Agreement, including these Policies & Procedures, such activity will be deemed a violation by the Arbonne Independent Consultant and Arbonne may take disciplinary action pursuant to the Agreement against the Arbonne Independent Consultant. Similarly, if any individual associated in any way with a Business Entity violates the Agreement, such action(s) will be deemed a violation by the Business Entity and Arbonne may take disciplinary action against the Business Entity.

### 3.14. COMMERCIAL OUTLETS

#### 3.14.1. RETAIL OUTLETS

Arbonne is a person-to-person marketing company. Presentations, business meetings and personal contacts of Arbonne Independent Consultants are the primary permissible venues where Arbonne products and the opportunity are intended to be presented. Arbonne does not authorize its products to be sold or displayed in retail outlets. Arbonne products may not be displayed and/or sold to the general public in any office or business/commercial outlet, or through home shopping network programs (e.g., HSN, QVC).

Examples of outlets that may not sell Arbonne products or display Arbonne Tools or other promotional materials include, but are not limited to: department stores, beauty supply stores, supermarkets, drug stores, health food stores, discount establishments, swap meets, mall carts, kiosks and flea markets.

As a limited exception to the foregoing rule, product may be sold or displayed in: (1) offices and other areas located in private clubs or membership-only gyms that are not accessible to, or in view of, the general public; or (2) the private offices of professionals who operate by appointment only (e.g., doctors, dentists, chiropractors, etc.) and beauty salons. Even within this exception, Arbonne products may not be displayed in public view, such as in a window display.

Approval, at Arbonne's sole discretion, will not be given for venues that are not conducive to the professional image Arbonne wishes to portray. Arbonne products may not be sold or displayed in any other public retail/service locations. Notwithstanding this exception, products from other direct selling companies in the same generic product or service categories as offered by Arbonne, regardless of cost differences, quality or other distinguishing factors, may not be present and sold in these private clubs, gyms, offices and salons.

#### 3.14.2. EXHIBITS AND TRADESHOWS

An Arbonne Independent Consultant may not sell or promote Arbonne products on the premises of any ongoing or frequently recurring event, except at events limited in duration with an environment promoting Arbonne's standard of excellence, such as, but not limited to, state fairs, holiday boutiques, school carnivals, health fairs, conventions, tradeshow, bridal shows, modeling shows and pageants.

Arbonne reserves the right to prohibit an Arbonne Independent Consultant's ability to sell through a commercial outlet if the Arbonne

Independent Consultant or outlet is presented, or engages, in any activity that in Arbonne's sole discretion is not in Arbonne's best interests.

#### 3.14.3. NO WHOLESALING PRODUCTS

Arbonne Independent Consultants are prohibited from selling to persons, either directly or indirectly, who ultimately (i) resell the Arbonne products through a retail store, (ii) resell the Arbonne products over the Internet, regardless of the form of Internet distribution channel, (iii) import the Arbonne products into a country that is not an Authorized Country (as defined in Policy 3.16), or (iv) use any other method of distribution that violates the primary purpose of the direct selling and/or multi-level marketing business and that of Arbonne. Each Arbonne Independent Consultant must take reasonable steps to ensure that persons who purchase Arbonne products from him or her do not intend to violate this Policy 3.14.3.

### 3.15. TERRITORIES

By signing the Arbonne Independent Consultant Application & Agreement, an Arbonne Independent Consultant may sell, sponsor, train and build his or her business anywhere within the United States, its territories, and any other country in which Arbonne is authorized to conduct business as announced from time to time in official Arbonne literature (the "Authorized Countries"). There are no restrictions on the location of an Arbonne Independent Consultant's territory within any of the Authorized Countries.

### 3.16. SALES IN AUTHORIZED COUNTRIES ONLY

Arbonne Independent Consultants are authorized to sell Arbonne products and enroll Clients or Arbonne Independent Consultants only in the Authorized Countries. In all instances, Arbonne Independent Consultants must comply with any and all applicable laws, regulations, and requirements, as well as Arbonne's requirements for doing business internationally. Arbonne products purchased in the United States cannot be delivered or sold in any foreign country for the purpose of resale. Arbonne products purchased by Arbonne Independent Consultants for resale in another Authorized Country must be purchased from Arbonne in such country for delivery within that country. No Arbonne Independent Consultant may sell, give, transfer, import, export or distribute Arbonne products or Tools in any unauthorized country. In addition, no Arbonne Independent Consultant may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll potential Clients or Arbonne Independent Consultants; or (c) conduct any other activity for the purpose of selling Arbonne products, establishing a SuccessLine organization or promoting the Arbonne opportunity.

Any Arbonne Independent Consultant who operates an Arbonne business that is not in compliance with this Policy 3.16 shall forfeit any commissions, bonuses or other forms of compensation or rewards earned as a result thereof and shall indemnify Arbonne for any damages, costs or losses sustained as a result of Arbonne Independent Consultant's failure to comply. In addition, Arbonne may, at its sole discretion, suspend the purchasing privileges or terminate the Independent Consultant Agreement of any Arbonne Independent Consultant who violates this policy.

### 3.17. BUSINESS REFERRALS AND LEADS FROM CORPORATE WEBSITE OR CUSTOMER SERVICE

Arbonne's marketing and public relations efforts will primarily direct potential Clients and Arbonne Independent Consultants to our official corporate website. While on the official corporate website, the potential Client or Arbonne Independent Consultant may learn more about products and the Arbonne opportunity. Arbonne will allocate leads from the corporate website or 1.800.ARBONNE (Customer Service) calls to qualifying Arbonne Independent Consultants. These leads may be requests from Clients for

more information about Arbonne or learning more about the Arbonne opportunity, sponsoring assignments for new Arbonne Independent Consultants who did not request assignment to a particular Sponsor during the application process, and corporate referral orders for Client orders placed on our corporate website when the Client has not indicated a particular Arbonne Independent Consultant. Leads and assignments will be given to an Arbonne Independent Consultant based on criteria determined by Arbonne in its sole discretion. If a qualified Arbonne Independent Consultant is assigned a new Arbonne Independent Consultant and does not wish to coach the newly assigned Arbonne Independent Consultant, Arbonne reserves the right to reassign the new Arbonne Independent Consultant to the next closest qualified Arbonne Independent Consultant (rather than the original Sponsor's upline) upon such notification.

### 3.18. SPONSORING AND REGISTRATION

The Arbonne Independent Consultant who makes initial contact with a potential new Arbonne Independent Consultant or Preferred Client is usually the one who sponsors or registers him or her; however, if several Arbonne Independent Consultants contact the same individual, only the Arbonne Independent Consultant who is specified in the Independent Consultant Application & Agreement or Preferred Client registration submitted to Arbonne by the prospective Arbonne Independent Consultant or Preferred Client will be deemed his or her Sponsor or registering Arbonne Independent Consultant. All Arbonne Independent Consultants have the right to sponsor others to become Arbonne Independent Consultants and register Preferred Clients.

### 3.19. CONSULTANT SPONSORED PROMOTIONS AND INCENTIVES

Arbonne Independent Consultants may offer personal recognition for Arbonne Independent Consultants in their SuccessLine organizations, as long as such programs are not recruitment-based bonus plans (commonly referred to as head-hunting plans) or could cause Arbonne Independent Consultants to purchase excess inventory. Because there are varying laws that govern contests, each Arbonne Independent Consultant is responsible for ensuring that his or her activities are legally permissible. Sweepstakes and lotteries are not permitted.

### 3.20. TELEPHONE AND MASS MEDIA SOLICITATION

Arbonne Independent Consultants are not authorized to engage in any telemarketing activities or other mass market direct-to-consumer electronic communications on Arbonne's behalf. Arbonne Independent Consultants are prohibited from sending, either directly or through a third party, any form of communications (including telephone calls, text messages, emails, faxes or other media) that in any way relate to Arbonne using any form of automatic telephone dialing systems or other automated devices, or using artificial or pre-recorded voice messages. Arbonne Independent Consultants also may not engage in mass telemarketing activities through the use of manual call center "cold calling" and/or "boiler room" sales operations in connection with their Arbonne business.

Arbonne Independent Consultants must strictly comply with the numerous federal and state laws and regulations applicable to unsolicited telephone calls, text messages, emails, faxes and other written or electronic communications, which, in addition to federal law, may include the law of the state(s) in which the recipient(s) of any communications reside, as well as the state in which the Arbonne Independent Consultant resides and/or conducts business. It is the responsibility of each Arbonne Independent Consultant to consult with an attorney who is knowledgeable about this area of law and familiarize him or herself with applicable federal law and the laws of any state in which he or she resides and conducts business, and in which the recipients of such communications reside. These laws include, but are not limited to, compliance with the Federal Communications Commission's (FCC) and the Federal Trade

Commission's (FTC) Do Not Call and Do Not Spam rules, as well as the Telephone Consumer Protection Act (TCPA). In many cases, individual state laws are more restrictive than federal law.

Any email sent by an Arbonne Independent Consultant that promotes Arbonne, the Arbonne opportunity, or Arbonne products and services must, at a minimum, include the following:

- A functioning return email address to the sender.
- A notice in the email in at least the same size font as the email message that advises the recipient that he or she may reply to the email, via the functioning return email address, to request that future email solicitations or correspondence not be sent to him or her (a functioning "opt-out" notice).
- The Arbonne Independent Consultant's physical mailing address.
- A clear and conspicuous disclosure that the message is an advertisement or solicitation.

The use of deceptive subject lines and/or false header information is prohibited. All opt-out requests, received by email or any other means, must be honored immediately. If an Arbonne Independent Consultant receives an opt-out request from a recipient, the Arbonne Independent Consultant must forward the opt-out request to Arbonne as soon as possible.

Arbonne Independent Consultants should be aware that there is a significant monetary fine per violation of the FTC's and the FCC's respective Do Not Call and Do Not Spam rules, and other severe penalties for violating other laws applicable to telephone and mass media solicitations. Therefore, unless an Arbonne Independent Consultant has carefully studied the requirements of the rules, consulted with an attorney informed about such rules, and designed a strict compliance program, he or she should not engage in placing unsolicited telephone calls or other mass media communications to prospects.

By entering into the Agreement, the Arbonne Independent Consultant is affirmatively choosing to allow Arbonne to send to him or her communications related to the sale or promotion of Arbonne products and services, the business opportunity, events or incentives. Communications may take the form of telephone calls, email, postal service, or any other method of communication. Any such communications will always provide a means to opt out of receiving further similar communications. An Arbonne Independent Consultant may also manage his or her privacy settings online when logged in to his or her account on Arbonne's website or by contacting Arbonne Customer Service.

Arbonne may also periodically send commercial emails to Clients and Preferred Clients on behalf of Arbonne Independent Consultants. By entering into the Agreement, the Arbonne Independent Consultant agrees that Arbonne may send such emails and that the Arbonne Independent Consultant's physical and email addresses will be included in such emails as outlined above. Arbonne Independent Consultants must immediately honor opt-out requests generated as a result of such emails sent by Arbonne. Arbonne Independent Consultants who wish to send unsolicited commercial emails within the United States must not use mass emailing campaigns, and must otherwise comply with the terms of the Agreement. Arbonne Independent Consultants who wish to send unsolicited commercial emails to recipients outside of the United States (in an Authorized Country in which Arbonne conducts business) must comply with the applicable laws and regulations of that country. Arbonne encourages its Arbonne Independent Consultants to review these requirements in the Policies & Procedures applicable to such countries, and to consult with their own legal advisor if they have any questions.

### 3.21. DATA SECURITY AND PRIVACY

All Arbonne Independent Consultants must adopt, implement and maintain appropriate administrative, technical and physical safeguards

to protect against foreseeable threats or hazards to the security of SuccessLine Activity Reports, including without limitation any Client data, including but not limited to data that personally identifies the Client, such as payment information, name, address, email address and phone number. For purposes of this policy, Clients include any Preferred Clients. Appropriate safeguards for electronic and paper records may include, but are not limited to: (i) encrypting data before electronically transmitting it, (ii) storing records in a secure location, and (iii) password protecting computer files or locking up physical files containing SuccessLine Activity Reports. Without limiting the preceding sentence or the provisions of Section 3.9 regarding confidential information, Arbonne Independent Consultants must keep SuccessLine Activity Reports, Client data and other confidential information secure from all persons who do not have legitimate business needs to see or use such information. Arbonne Independent Consultants should maintain Client data for only so long as there is a legitimate business need or as required by applicable law. If Arbonne Independent Consultants dispose of any paper or electronic record containing SuccessLine Activity Reports, Client data and other confidential information, Arbonne Independent Consultants shall do so by taking all reasonable steps to destroy the information by (i) shredding, (ii) permanently erasing and deleting, or (iii) otherwise modifying the Client data and other confidential information in those records to make it unreadable, unreconstructible, and indecipherable through any means. Upon request, Arbonne Independent Consultants will certify to Arbonne that all forms of the requested personal information have been destroyed and will describe any exceptions.

Arbonne Independent Consultants must comply with all applicable privacy and data security laws, including security breach notification laws and protection of any Client's personal information (including, for example, Social Security numbers). Without limitation of the preceding sentence, in the event of an actual or suspected security breach affecting Client data, the applicable Arbonne Independent Consultants shall promptly within 48 hours notify the applicable Clients and Arbonne's Business Ethics Standards Team in writing after becoming aware of such security breach and specify the extent to which Client data was or was suspected to be disclosed or compromised and shall promptly comply with all applicable information security breach disclosure laws. Arbonne Independent Consultants may submit such notice to the Business Ethics Standards Team via the online contact form available on Arbonne's website at [arbonne.com](http://arbonne.com). Arbonne Independent Consultants, at their expense, shall cooperate with Arbonne and applicable Clients, and use their best efforts to mitigate any potential damage caused by a breach of their obligations under the Agreement applicable to Client data, including by sending notice to the affected individuals, state agencies and consumer reporting agencies, if such notification is required by law.

For the purpose of this section, a "security breach" means a breach of security or an unauthorized disclosure, access, acquisition or use of customer data or any confidential information of Arbonne, including such access or acquisition as a result of theft, hacking or inadvertent error. "Client data" means all data and information submitted by a Client or potential Client to a Consultant in connection with a purchase of Arbonne products or otherwise including, without limitation, such Client's name, address, phone number, Social Security number and financial account information, products ordered and order volume.

### **3.22. NON-INTERFERENCE WITH ARBONNE PRODUCT DEVELOPMENT AND MANUFACTURE**

The development and manufacture of Arbonne products is solely within Arbonne's authority. Arbonne Independent Consultants shall not contact or communicate with manufacturers, suppliers and/or vendors of Arbonne products relating to the development, manufacture, or sale of Arbonne and authorization from Arbonne's chief legal officer. Arbonne Independent Consultants are prohibited from procuring, or seeking to

procure, directly or indirectly, any financial or personal gain from any manufacturer, supplier and/or vendor of Arbonne products relating to the development, manufacture, or sale of Arbonne products.

## **SECTION 4 – INTERNET AND SOCIAL MEDIA POLICIES**

### **4.1. SELLING PRODUCTS ONLINE**

In order to maintain the integrity of the Arbonne brand name, product line and the Client/Arbonne Independent Consultant relationship, Arbonne Independent Consultants may only sell Arbonne products online, including current and past Arbonne merchandise, campaign materials and any other promotional materials (collectively, "Products") through the Arbonne Replicated Website Program. Any online sales media, including independent websites, online retail stores, e-commerce sites, blogs, online malls or auction sites, such as, but not limited to, eBay, Amazon, Craigslist and Groupon are prohibited. Sales of products on eBay, Amazon or other auction or online retail sites shall result in immediate suspension followed by disciplinary sanctions. Sharing content or promotions provided by Arbonne from Arbonne's official corporate social media pages to an Arbonne Independent Consultant's page on such social media sites will not be deemed a violation of this policy provided the page is a fan or business page that is compliant with Section 4.6 and any link leads to [arbonne.com](http://arbonne.com) or to the Arbonne Independent Consultant's Arbonne replicated website.

### **4.2. ARBONNE REPLICATED WEBSITE PROGRAM**

Arbonne's Independent Consultant Replicated Website Program is available to any Arbonne Independent Consultant to establish a business presence online and start automating specific business tasks. With a Arbonne Replicated Website directly linked to an Arbonne ID, Arbonne Independent Consultants can sell Arbonne products, sponsor new Arbonne Independent Consultants and register Preferred Clients and Clients, receive online Client referrals from [arbonne.com](http://arbonne.com), view reporting and tracking of sales from the website, manage presentations and select a personal website address. Preferred Clients and Clients are not eligible to participate in the Arbonne Replicated Website Program. Any Arbonne Independent Consultant who is reassigned to Preferred Client or Client status (e.g., if he or she does not meet the 12 in 12 Independent Consultant Maintenance Requirement set forth in the SuccessPlan) and has a Arbonne Replicated Website at the time of reassignment, will not be able to use such website, which will be made inactive so long as he or she is a Preferred Client or Client, even if he or she subscribed to a longer Arbonne Replicated Website account period while an Arbonne Independent Consultant.

#### **4.2.1. NO ARBONNE REPLICATED WEBSITE WARRANTIES**

Arbonne makes no guarantees or representations regarding the success or usefulness of participating in the Arbonne Replicated Website Program. INTERNET SERVICES PROVIDED BY ARBONNE ARE SOLELY PROVIDED "AS IS." ARBONNE MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NONINFRINGEMENT. Arbonne may not be held liable for any downtime on the Arbonne Replicated Websites due to server delays or problems, viruses, maintenance or any other reason whatsoever.

#### **4.2.3. ARBONNE REPLICATED WEBSITE MANDATORY REQUIREMENTS**

Website parameters for all Arbonne Replicated Websites include the following mandatory requirements:

- Website content and images must comply with all of Arbonne's Policies & Procedures.



- The words “Arbonne Independent Consultant” must be on the homepage along with the Arbonne Independent Consultant’s name or Business Entity.
- In no way should the site give the impression of representing Arbonne, the company, rather than an Arbonne Independent Consultant. This includes using Arbonne or Arbonne International as the title for any page within the website, especially the homepage.
- Websites cannot include product or opportunity information offered by any company other than Arbonne.
- Except for the link to Arbonne’s website or any fan or business page on a social network clearly identified as an Arbonne Independent Consultant, websites may not have external links.
- Selling Arbonne products online outside of the Arbonne Replicated Website Program is strictly prohibited.
- Sponsoring Arbonne Independent Consultants or registering Preferred Clients online via an electronic signature application or online form is not permitted outside of the Arbonne Replicated Website Program.
- Arbonne Independent Consultants may use images provided by Arbonne from arbonne.com and should keep images current and remove any images no longer available from Arbonne. People or model images (other than Arbonne Independent Consultants or Arbonne employees) cannot be downloaded or copied due to copyright laws.
- Copy downloaded from arbonne.com or taken from printed Arbonne literature must be used exactly as printed or written. Changing a word or two may change the real meaning or definition.
- Websites that contain earning claims must include the Income Disclaimer found in Policy 3.3.10 and a link to the Independent Consultant Compensation Summary at arbonne.com.
- Websites should not present false or misleading information about Arbonne, the Arbonne opportunity or your relationship with Arbonne.
- Websites must not contain medical claims or statements as outlined in Policy 3.3.9.
- Arbonne Independent Consultants may not publish, post or distribute any material on their websites or in connection with Arbonne that is defamatory, libelous, disparaging, threatening, offensive, harassing, abusive, obscene, pornographic, in violation of applicable law, or that inhibits others from enjoying the Arbonne website or Arbonne Independent Consultant websites.
- Arbonne Independent Consultants may not violate or infringe on the rights of others, including privacy, publicity and proprietary rights.
- Arbonne Independent Consultants agree not to interfere or take action that results in interference with or disruption of Arbonne or Arbonne Independent Consultant replicated websites or servers or networks connected to the foregoing. Arbonne Independent Consultants agree not to attempt to gain unauthorized access to computer systems or networks connected to the foregoing.
- It is the sole responsibility of each Arbonne Independent Consultant to ensure that his or her website fully complies with

Arbonne’s Internet policies, as well as with all applicable federal and state rules and regulations.

- All websites must clearly and conspicuously identify the owner of the site as an Arbonne Independent Consultant for Arbonne. No blind sites are permitted.
- Websites must appropriately represent and enhance the Arbonne brand.
- Arbonne Independent Consultants may not use Arbonne or any derivative or misspelling thereof in the website extension. Additionally, using a generic extension like “shop,” “skincare,” “wellness,” or geographic locations, such as city names or major regions, etc., are not permitted. For example, the extension can be arbonne.com/janesmith, arbonne.com/jsmith or arbonne.com/janes. Arbonne Independent Consultants cannot use any name like arbonne.com/skincare, arbonne.com/shop, arbonne.com/janesellsarbonne or arbonne.com/newyork. Arbonne reserves the right to change any Arbonne Replicated Website extension if it does not relate to an Arbonne Independent Consultant’s name.
- Arbonne Independent Consultants shall only use the URL assigned to their Arbonne Replicated Website to direct traffic to that site. Except for URL shorteners, which are permitted to direct to an Arbonne Independent Consultant’s replicated website, Arbonne Independent Consultants shall not use any other domain name or URL and redirect web traffic to their Arbonne Replicated Website from such other URL.
- Decisions and corrective actions in this area are at Arbonne’s sole discretion.

ARBONNE DISCLAIMS ANY AND ALL LIABILITY ARISING OUT OF OR RELATED IN ANY WAY TO ARBONNE REPLICATED WEBSITES. Arbonne Independent Consultants will be held responsible for any statements or other content that is posted on Arbonne Independent Consultants’ websites or email, including liability for harm caused by such statements or material. Arbonne reserves the right to receive analytics and information regarding the usage of any Arbonne Replicated Website.

#### 4.3. BLOGS

A blog, or website developed on a blogging platform, that is developed for the primary purpose of marketing or promoting Arbonne, its products or opportunity is not permitted. This does not include blogs created by you or others, which are developed primarily for other purposes that mention Arbonne.

#### 4.4. WEBSITE DOMAIN NAMES, EMAIL ADDRESSES AND ONLINE ALIASES

Arbonne Independent Consultants are not permitted to use or register any of Arbonne’s trademarks, product names or any derivatives, whether abbreviated or not, and a specific geographic region for any Internet domain name, email address, social networking profile, or online alias. Additionally, Arbonne Independent Consultants are not permitted to use or register domain names, email addresses, and/or online aliases that could cause confusion, or be misleading or deceptive, in that they cause individuals to believe or assume the communication is from, or is the property of, Arbonne. Examples of the improper use of Arbonne are: Arbonnegirl@gmail.com; isellarbonne.com; facebook.com/Arbonnefan, @arbonneguy, @arbonne\_newyork, or Arbonne showing up as the sender of an email.



## 4.5. USE OF SOCIAL NETWORKING MEDIA

### 4.5.1. SOCIAL NETWORKING SITES

Arbonne Independent Consultants may use social networking sites (e.g., Facebook®, Twitter®, LinkedIn®, Instagram®, Pinterest®, forums and other social shared interest sites) so long as they adhere to the requirements set forth in this Section as well as Arbonne's policies relating to Advertising (Section 3), comply with the terms of use of those sites (including any restrictions on commercial use), do not use those sites to prospect or sponsor persons in countries which are not Authorized Countries or where it is unlawful to do so, and do not use sites which are intended for use primarily by those below 18 years of age.

Arbonne Independent Consultants may not create a fan page on Facebook, Twitter, Instagram, Pinterest or any other social media site that appears to be the Arbonne Home Office. However, they may create a site that includes the term "Arbonne Independent Consultant" in the name. They cannot use the word "official" or anything similar or any specific geographic location. If an Arbonne Independent Consultant links to his or her Arbonne Replicated Website on a social networking site, she or he must clearly identify as an Arbonne Independent Consultant.

Profiles generated in any social networking site where an Arbonne Independent Consultant mentions or discusses Arbonne must clearly identify the user as an Arbonne Independent Consultant, disclose the user's full name and follow this naming order: "Name, Arbonne Independent Consultant." Arbonne does not authorize the anonymous use or use under an alias of such websites. The Facebook page profile picture must be a photo of the Arbonne Independent Consultant (or the Arbonne Independent Consultant logo). Do not use the Arbonne logo, the profile picture for the official Arbonne corporate profile or any other branded image that isn't approved by Arbonne in writing or specifically provided by Arbonne for use by the Arbonne Independent Consultants.

Arbonne Independent Consultants are encouraged to share the content Arbonne posts on its corporate social media profiles and pages with their network on their personal business accounts or pages. An Arbonne Independent Consultants may share offers and promotions posted by the Home Office provided the social media page is a compliant fan or business page for their personal Arbonne business and any link leads to [arbonne.com](http://arbonne.com) or to the Arbonne Independent Consultant's Arbonne replicated website. Arbonne Independent Consultants are not permitted to advertise discount offers using Facebook offers or offer blanket discounted product offers that are not provided by Arbonne. Arbonne Independent Consultants may use social media to invite fans, friends and followers to attend group presentations, provided they do not solicit on the corporate site as stated in 4.5.2.

### 4.5.2. SOLICITATION ON CORPORATE SOCIAL MEDIA PROFILES

Arbonne Independent Consultants may not use Arbonne corporate social media presences such as the Arbonne corporate Facebook page, Twitter account, Pinterest, Instagram, etc., to solicit business, drive people to an Arbonne Replicated Website, or sponsor team members. These presences are for the Clients and prospects of all Arbonne Independent Consultants, and must remain a safe place for Arbonne Independent Consultants to send their Clients and prospects, without fear of losing them. Arbonne Independent Consultants may not post their replicated website URL on the corporate Facebook page in response to a Client request, may not offer to sell a product to a Client who inquires about a product, or reply

to a prospect who asks about the Arbonne Opportunity. Arbonne's Home Office will respond to people directly who interact with us on these sites, and Arbonne Independent Consultants should not respond unless the Home Office specifically requests that they do so. Arbonne Independent Consultants may not reach out directly to celebrities, national magazines or other media outlets on behalf of the brand through social media.

### 4.5.3. RESPONSIBILITY FOR POSTINGS

Under the Agreement, each Arbonne Independent Consultant agrees to indemnify Arbonne against all damages arising out of his or her activities as an Arbonne Independent Consultant. Arbonne may rely on this indemnity if an Arbonne Independent Consultant's online activity damages Arbonne or the Arbonne opportunity. Arbonne Independent Consultants are responsible for their own postings and all other online activity conducted by or on behalf of that Arbonne Independent Consultant's business. This policy applies even if an Arbonne Independent Consultant does not own or operate a website or social networking site. If an Arbonne Independent Consultant posts, directly or indirectly, any comment to any such site that relates to Arbonne, the Arbonne Independent Consultant is responsible for the posting.

### 4.5.4. USE OF THIRD-PARTY INTELLECTUAL PROPERTY

If an Arbonne Independent Consultant uses the trademarks, trade names, service marks, copyrights or intellectual property of any third party in any posting, it is his or her responsibility to ensure that he or she has permission and is authorized to use such intellectual property. Such permission is usually obtained through a license agreement and payment of an appropriate license fee and/or royalties. All third-party intellectual property must be properly referenced as the property of the third party, and an Arbonne Independent Consultant must adhere to any restrictions and conditions that the owner of the intellectual property places on the use of its property.

### 4.5.5. TRUTHFULNESS IN POSTINGS

Arbonne Independent Consultants must refrain from making any misleading or deceptive claims or statements about Arbonne, the Arbonne products or the Arbonne opportunity in any online postings. It is the obligation of Arbonne Independent Consultants to ensure their postings and other online marketing activities are truthful, not deceptive and not misleading to customers or potential Arbonne Independent Consultants in any way.

Websites and web promotion activities and tactics that are misleading or deceptive, regardless of intent, may breach the Agreement and the law generally, and are strictly prohibited. This may include spam linking (or blog spam), unethical search engine optimization (SEO) tactics, misleading click-through ads (i.e., having the display URL of a pay-per-click campaign appear to resolve to an official Arbonne website when it goes elsewhere), unapproved banner ads and unauthorized press releases. The truthfulness or accuracy of website content or web promotion activities shall be determined by Arbonne in its sole discretion.

### 4.5.6. RESPECTING PRIVACY

Arbonne Independent Consultants must always respect the privacy of others in their postings and must not engage in gossip or advance rumors about any individual, company, or competitive products or services. In this regard, Arbonne Independent Consultants may not list the names of other individuals or entities on their postings unless they have the written permission of the individual or entity that is the subject of their posting.

#### 4.5.7. INAPPROPRIATE CONTENT PROHIBITED

When Arbonne Independent Consultants participate in social networking sites, they must comply with the terms of use of the site, particularly (but not limited to) in relation to avoiding inappropriate conversations, comments, images, video, audio or other applications, including but not limited to profane, violent, offensive, threatening, defamatory, libelous, harassing, discriminatory or vulgar content (all of which is termed "Inappropriate Content"). The determination of what is Inappropriate Content shall be determined by Arbonne in its sole discretion, and offending Arbonne Independent Consultants will be subject to disciplinary action/or deactivation. If an Arbonne Independent Consultant becomes aware of any Inappropriate Content from, or purporting to be from, another Arbonne Independent Consultant it shall notify Arbonne as soon as practicable.

#### 4.5.8. REMOVAL UPON TERMINATION OF ARBONNE ID

If an Arbonne Independent Consultant's Agreement is terminated for any reason, pursuant to the terms of the Agreement, he or she must promptly, but in any event within five days, discontinue all uses of Arbonne's name, Arbonne's trademarks, trade names, service marks, other intellectual property, and all derivatives of such marks and intellectual property, in any format, including print, email, postings and all social media sites.

### 4.6. ONLINE ADVERTISING

#### 4.6.1. ONLINE CLASSIFIEDS

Arbonne Independent Consultants are not permitted to use online classifieds (including Craigslist or Groupon) to list, sell or retail specific Arbonne products. Arbonne Independent Consultants may, however, use online classifieds (excluding Craigslist) for informing the public about Arbonne and the Arbonne opportunity, provided that they use the templates created and provided by Arbonne to identify themselves as an Arbonne Independent Consultant, as stated in Section 3.3.3. If a link or URL is provided, it must link to the Arbonne Independent Consultant's Arbonne Replicated website. Arbonne Independent Consultants are responsible for complying with the terms of use of those sites, some of which specifically prohibit advertising for a multi-level marketing business.

#### 4.6.2. BANNER ADVERTISING

Arbonne Independent Consultants may place banner advertisements on a website provided they use the templates created and provided by Arbonne to identify themselves as an Arbonne Independent Consultant, as stated in Section 3.3.3. All banner advertisements must link to an Arbonne Replicated Website. Arbonne Independent Consultants may not use blind ads or webpages that make product or income claims that are ultimately associated with Arbonne products or the Arbonne opportunity.

#### 4.6.3. HOTLINKS

When directing viewers to an Arbonne Replicated Website, in order to avoid misleading or deceiving the reasonable reader, it must be evident from a combination of the link and the surrounding context that the link resolves to the website of an Arbonne Independent Consultant. Links that mislead viewers into believing they are being directed to the Arbonne corporate site, when in fact they are directed to an Arbonne Independent Consultant site, are strictly prohibited. The determination of whether a link is misleading shall be made by Arbonne in its sole discretion.

#### 4.6.4. SEARCH ENGINES, SPONSORED LINKS AND PAY-PER-CLICK ADS

Arbonne Independent Consultants agree to cooperate fully with Arbonne so that Internet search engines list Arbonne's website, arbonne.com, as the first search result when an Internet browser makes a query containing the name Arbonne or any one of Arbonne's product names or trademarks along with any variations.

Arbonne Independent Consultants are authorized to use sponsored links or pay-per-click (PPC) ads, including Google AdWords™ or Facebook Advertising, provided that Arbonne Independent Consultants use the templates created and provided by Arbonne or use an ad approved in advance by the Business Ethics Standards Team. Arbonne Independent Consultants are prohibited from using the Arbonne name, Arbonne product names, trademarks or any variations as the target keywords, and may only use generic search terms such as cosmetics, skincare, hair care, beauty, aromatherapy, makeup, nutrition, etc. In addition, the destination URL and display URL must show and resolve to a Arbonne Replicated Website, and must not portray any URL that could mislead the user into believing that they are being directed to an Arbonne corporate site. All web advertisements must clearly contain the descriptor of Arbonne Independent Consultant in both the title and description field.

#### 4.6.5. SPAM LINKING

Spam linking is defined as multiple consecutive submissions of the same or similar content into blogs, wikis, guest books, websites or other publicly accessible online discussion boards or forums. This includes blog spamming, blog comment spamming and/or spamdexing (also known as search engine index manipulation). Arbonne Independent Consultants may not use blog spam, spamdexing or any other mass-replicated methods to leave blog comments or links to their personal Arbonne Replicated Website or social media pages. Spam linking is strictly prohibited.

### 4.7. PRIVACY POLICY

Arbonne Independent Consultants agree to abide by the Privacy Policy set forth on Arbonne's website and to honor and extend those same policies to persons visiting Arbonne Replicated Websites.

## SECTION 5 — ORDERS

### 5.1. PLACING ORDERS

Orders placed directly through the corporate office may be made by phone or Internet. Customer Service hours, procedures, acceptable methods of payment and shipping methods are available on arbonne.com. With one shipping destination per order, Arbonne Independent Consultants may request the products to be shipped directly to themselves or their Clients or Preferred Clients. Orders can be placed via the Internet at arbonne.com or through the Arbonne Independent Consultant Replicated Website 24 hours a day, yet are processed during regular business hours. Internet orders must be received by 10 p.m. Pacific time on the last business day of each month in order to be processed that day. Telephone orders must be received by the end of the last business day of the month in order to qualify for overrides, rewards, incentives or any portion of the Arbonne SuccessPlan in that month. Arbonne cannot process an order retroactively, nor hold the order for future processing. Declined or improperly completed credit cards are processed on the day the amount charged to the card is approved by the cardholder's bank. Orders for which the payment is declined do not apply toward deadlines, campaigns, Qualifying Volume, Retail Volume, commissions, bonuses, contests, or other rewards or remuneration.

Arbonne strives to ensure that the privacy and security of all Arbonne Independent Consultants, Preferred Clients and Clients is strongly upheld.

For this reason, Arbonne may require verification of certain information, which may include the last four digits of an Arbonne Independent Consultant's Social Security number and/or other identifying information, prior to all orders being placed.

## **5.2. COMBINED ORDERS**

Arbonne Independent Consultants may not place orders under another Arbonne ID or combine orders with another Arbonne Independent Consultant. This policy is to preserve the maintenance of product quality control, accuracy of point accumulations for awards and recognition, SuccessPlan benefits, sales tax and income reporting.

## **5.3. MANIPULATING ENROLLMENTS AND SALES VOLUME**

Arbonne Independent Consultants must not manipulate enrollments of new Arbonne Independent Consultant applicants, Preferred Client registrations or product purchases, as this may constitute bonus buying. All product orders must be placed with Arbonne or entered online within seven days from the time they are placed by a Client. Bonus buying is strictly prohibited.

## **5.4. RESTRICTIONS ON THIRD-PARTY USE OF CREDIT CARDS AND CHECKING ACCOUNT ACCESS**

Arbonne Independent Consultants shall not permit other Arbonne Independent Consultants, Preferred Clients or Clients to use his or her credit card, or permit debits to their checking accounts, to enroll or to make purchases from Arbonne on such other person's Arbonne account. Arbonne Independent Consultants may use a Client's credit card with written permission supported by sales receipts when placing retail Client orders through the Arbonne Independent Consultant's Arbonne ID.

## **5.5. ARBONNE SPECIAL DELIVERY**

Arbonne Special Delivery is the easy way for Arbonne Independent Consultants, Preferred Clients and Clients to receive Arbonne products automatically. Arbonne Special Delivery orders may be placed at [arbonne.com](http://arbonne.com) after acknowledging the Arbonne Special Delivery Agreement. Arbonne will automatically ship products based on the selected frequency. Arbonne may offer Arbonne Special Delivery rewards and promotional offers from time to time. Please refer to [arbonne.com](http://arbonne.com) for current available offers.

## **5.6. SALES TAX**

In designing the Arbonne opportunity, one of Arbonne's guiding philosophies has been to free Arbonne Independent Consultants from as many administrative, operational, and logistical tasks as possible. By doing so, Arbonne Independent Consultants are free to concentrate on those activities that directly affect their incomes, namely product sales and enrollment activities. To these ends, Arbonne relieves Arbonne Independent Consultants of the burdens of collecting and remitting sales taxes, filing sales tax reports and keeping records relative to sales taxes in the jurisdiction or location to which products are shipped. Sales made by an Arbonne Independent Consultant outside of the ship-to location may be subject to additional tax reporting or sales tax obligations by the Arbonne Independent Consultant. Arbonne Independent Consultants should direct any questions regarding their tax and reporting obligations to their own independent tax advisors.

By virtue of its business operations, Arbonne is required to charge sales taxes on all purchases made by Arbonne Independent Consultants, Preferred Clients and Clients, and remit the taxes charged to the respective states and local taxing jurisdictions. Accordingly, Arbonne will collect and remit sales taxes on behalf of Arbonne Independent Consultants, based on the Suggested Retail Price of the products for Arbonne Independent Consultants and net sales price for Clients and Preferred Clients, according to applicable tax rates in the state or local taxing jurisdictions to which the shipment of products is destined. If an Arbonne

Independent Consultant has submitted, and Arbonne has accepted, a current Sales Tax Exemption Certificate and Sales Tax Registration License, sales taxes will not be added to the invoice and the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be on the Arbonne Independent Consultant. Exemption from the payment of sales tax is applicable only to orders that are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by Arbonne is not retroactive.

The taxability of products and sales tax rates differ by state and country. Additionally, an increasing number of local taxes (county and city) are being initiated throughout the country. This could result in a disparity in what Arbonne charges an Arbonne Independent Consultant and what the Arbonne Independent Consultant in turn can charge a Preferred Client or retail Client, depending upon where the sale occurs. The difference should be brought to the attention of Arbonne Customer Service for adjustment. Arbonne Independent Consultants must provide date of sale, state, county, city and rate of tax where sold, total retail sales and the amount of the additional tax due, or credit due. It is always the responsibility of each Arbonne Independent Consultant to know what products are taxable and at what rate. Arbonne Independent Consultants should contact his or her state or local department of revenue for assistance, or independent tax advisor with questions regarding taxability and rates.

## **5.7. ORDER VARIANCES AND ADJUSTMENTS**

If an order does not match the payment remitted, due to a pricing or addition error, the difference will be deducted or added to the Arbonne Independent Consultant's discount and/or override or products/Business Aids will be added, deleted or substituted until the total value matches the amount remitted. To avoid unnecessary delays, Arbonne Independent Consultants should carefully check their order before submitting it to Arbonne.

## **5.8. BACKORDERS**

Arbonne makes every effort to avoid backordered items. When backorders do occur, Arbonne makes every attempt to advise the Arbonne Independent Consultant, Preferred Client or Client of backorders at the time the order is placed. This provides the opportunity to cancel the item on backorder or continue to process it with the order. If an order is placed for an item that is currently not in stock, the credit card will be charged when the order is taken. When the backordered item arrives in our warehouse, it will be shipped either separately or in the next order. Arbonne reserves the right to choose the appropriate method of shipping. If the backordered item is not received in the warehouse within 30 days of the original order or is not scheduled to arrive within five days of the 30th day from the order date, the item will be voided from the order and a refund will be issued.

# **SECTION 6 — SALES**

## **6.1. QUALIFIED STATUS**

To participate in the management qualification programs and to receive any compensation from Arbonne, Arbonne Independent Consultants must accumulate a minimum of 150 in Personal Qualifying Volume that month.

## **6.2. SALES RECEIPTS**

All Arbonne Independent Consultants must provide each retail Client and Preferred Client with two copies of an official Arbonne sales receipt at the time of the sale if the Client or Preferred Client does not place the order online through his or her own Arbonne account. These receipts set forth the Client Satisfaction Guarantee as well as any consumer protection rights afforded by federal or state law. Arbonne Independent

Consultants must orally inform the buyer of his or her cancellation rights. Arbonne Independent Consultants must maintain all retail sales receipts for a period of two years and furnish them to Arbonne at the Company's request. Arbonne will maintain records documenting the purchases of the Arbonne Independent Consultants' Clients and Preferred Clients who purchase directly from Arbonne.

### **6.3. BONUS BUYING PROHIBITED**

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 Arbonne Independent Consultant Application & Agreement or Preferred Client registration form by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as an Arbonne Independent Consultant or Preferred Client; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Arbonne Independent Consultants or Preferred Clients ("phantoms"); (d) the use of a credit card by or on behalf of an Arbonne Independent Consultant when the Arbonne Independent Consultant is not the accountholder of such credit card; (e) purchasing Arbonne products or services on behalf of another Arbonne Independent Consultant, or under another Arbonne Independent Consultant's or Client's or Preferred Client's Arbonne ID to qualify for commissions or bonuses; (f) any other mechanism by which strategic purchases are made to maximize commissions or bonuses or other incentives such as trips and awards when an Arbonne Independent Consultant has no bona fide use for the products purchased. Arbonne Independent Consultants may not inventory load nor encourage others to inventory load. Arbonne reserves the right to withhold final approval on all payments, recognition, awards or incentives pending verification of compliance with any incentive, promotional or recognition program terms and conditions and to ensure that there has been no bonus buying, inventory loading, manipulation of the SuccessPlan, or violation of the Agreement. Participants in such programs must be Arbonne Independent Consultants in good standing with the company during the incentive or promotional program period and through their reception of any awards. Arbonne Independent Consultants found in non-compliance with the Agreement during the incentive, promotional or recognition program period may not participate and will not be eligible for any payments available under such program. In the event any SuccessPlan manipulation or other activity in violation of the Agreement becomes known after awards and payments have already been given to an Arbonne Independent Consultant, Arbonne reserves the right to deduct the value of any awards from future commission payments and take any other action provided for under the Agreement.

## **SECTION 7 — BONUSES AND COMMISSIONS**

### **7.1. OVERRIDE, BONUS AND COMMISSION QUALIFICATIONS**

An Arbonne Independent Consultant must achieve qualified status and be in compliance with the Agreement to receive overrides and bonuses. So long as an Arbonne Independent Consultant complies with the terms of the Agreement, Arbonne shall pay overrides and bonuses to such Arbonne Independent Consultants in accordance with the SuccessPlan. The minimum amount for which Arbonne will issue a check is \$25. If an Arbonne Independent Consultant's overrides, bonuses and commissions do not equal or exceed \$25, the Company will accrue the overrides, bonuses and commissions until they total \$25. A check will be issued once \$25 has been accrued. All accrued commissions and bonuses will be paid out in the last commission cycle of the year regardless of the amount accrued. The last commission cycle ends in December, but commissions are not paid until January of the following year.

### **7.2. COMMISSION PAYMENTS, STATEMENTS AND 1099S**

Override and bonus checks are processed and generated after the end of each month and are scheduled to mail within 10 business days after

month-end. Attached to each check is an itemized statement of earnings. Arbonne Independent Consultants should retain all itemized earnings statements for their tax records. Direct deposit is available to those who complete the direct deposit form online in the Internet Consultant area of arbonne.com.

Please allow time for the postal service to deliver any check. Arbonne Independent Consultants who haven't received a check by the first day of the next month should contact Arbonne Customer Service to investigate.

Arbonne Independent Consultants who receive checks totaling \$600 or more, or anyone purchasing products totaling more than \$5,000 during a fiscal year, will receive a 1099 tax form per IRS regulations. Arbonne Independent Consultant discounts taken at the time of the order are NOT 1099 reportable. Arbonne Independent Consultants should consult their tax advisor.

### **7.3. ADJUSTMENT TO BONUSES AND COMMISSIONS**

Arbonne Independent Consultants receive compensation based on the actual sales of products and services to end consumers. When a product is returned to Arbonne for a refund or is repurchased by the Company, the discounts, overrides, commissions, bonuses, incentives, campaigns, promotional benefits, and other compensation attributable to the returned or repurchased product(s) will be deducted, in the month in which the refund is given and continuing every pay period thereafter until the commission is recovered, from the Arbonne Independent Consultants who received bonuses and commissions on the sales of the refunded products. If Arbonne issues any type of compensation to an Arbonne Independent Consultant in error, Arbonne reserves the right to recover that compensation in full. If that compensation has already been used or is otherwise unavailable to Arbonne, Arbonne may deduct from future earnings.

### **7.4. ERRORS OR QUESTIONS**

In the event an Arbonne Independent Consultant has questions about or believes any errors have been made regarding commissions, bonuses, SuccessLine Activity Reports, orders, or charges, the Arbonne Independent Consultant must notify Arbonne within 60 days of the date of the purported error or incident in question. Arbonne will not be responsible for any errors, omissions or problems not reported to the Company within 60 days.

## **SECTION 8 — PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE**

### **8.1. CLIENT PRODUCT SATISFACTION GUARANTEE**

A 45-day money-back guarantee is offered on all Arbonne products to Clients (including Preferred Clients). Clients not completely satisfied may return the purchased products to their Arbonne Independent Consultant for a replacement or full refund within 45 days from the Client purchase date. A signed and fully completed Product Return Form must accompany a product return. Shipping fees are non-refundable. Please allow four to six weeks for processing. Promotional products and gift items may not be available for replacement, and may, at Arbonne's discretion, be exchanged for an item of equal value.

The product guarantee applies only to Clients who order from an Arbonne Independent Consultant, an Arbonne Replicated Website, or directly from Arbonne using an Arbonne ID.

### **8.2. INDEPENDENT CONSULTANT RETURN POLICY**

Arbonne Independent Consultants who certify that they are purchasing product for personal consumption purposes only are subject to the same return policy as is extended to Clients (see Client Product Guarantee Policy above). Exchanged products, unlike returned products, will not result in a reduction of Retail Volume, Qualifying Volume or other sales benefits.



Arbonne Independent Consultants may not return inventory (distinguished from products purchased for personal or family use) or Business Aids which they personally purchased from Arbonne for a refund, unless the Arbonne Independent Consultant is voluntarily or involuntarily terminating their business relationship with Arbonne, or the Arbonne Independent Consultant's renewal is due and the Arbonne Independent Consultant has elected not to renew. Inventory being returned must be accompanied by the Arbonne Independent Consultant's written and signed letter resigning, or stating his or her intention not to renew as an Arbonne Independent Consultant and a fully completed Product Return Form. Product and Business Aids that have been purchased within one year from the date of termination and are returned at termination must be in Re-saleable (see definition of "Re-saleable" in Section 11) condition and will be repurchased at 100% of the Arbonne Independent Consultant's original purchase price, less appropriate set-offs and legal claims, if any. Set-offs include, but are not limited to, those items identified in Policy 8.3, Commission and Bonus Recapture.

### 8.3. COMMISSION AND BONUS RECAPTURE

8.3.1. All overrides, bonuses, commissions, incentives, campaigns or other remuneration (collectively "remuneration") that has been paid to an Arbonne Independent Consultant and his/her upline based on the Qualifying Volume or Retail Volume associated with products that are subsequently returned will be deducted from the Arbonne Independent Consultant and those upline who received remuneration based on such Qualifying Volume or Retail Volume. Valid Client product replacements and/or exchanges do not create a deduction.

8.3.2. All remuneration that has been paid to a terminating Arbonne Independent Consultant, based on the Qualifying Volume or Retail Volume associated with products that are subsequently returned, and any amounts due Arbonne from the Arbonne Independent Consultant for any other reason, are subject to deduction from the refund or repurchase amount. Overrides, bonuses and all benefits previously paid or earned on the returned marketable products by the terminating Arbonne Independent Consultant's upline will be deducted from such upline's subsequent commissions.

8.3.3. The Qualifying Volume and Retail Volume associated with returned merchandise shall also be deducted from the Central Qualifying Volume of the canceling Arbonne Independent Consultant's upline. This may result in a drop in the upline's rank should there be insufficient Central Qualifying Volume necessary for the upline to maintain qualification at such rank.

## SECTION 9 — DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

### 9.1. GRIEVANCES AND COMPLAINTS

When an Arbonne Independent Consultant has a grievance or complaint with another Arbonne Independent Consultant regarding any practice or conduct in relationship to their respective Arbonne businesses, the complaining Arbonne Independent Consultant should first report the problem to his or her Sponsor who should review the matter and try to resolve it with the other party's upline Sponsor. If the matter cannot be resolved, it must be reported in writing to the Business Ethics Standards Team. The Business Ethics Standards Team will review the facts and attempt to resolve it.

### 9.2. REPORTING POLICY VIOLATIONS

Arbonne Independent Consultants observing a Policy violation by another Arbonne Independent Consultant should submit a written report of the violation directly to the attention of the Arbonne Business Ethics Standards Team. Details of the incidents such as dates, number

of occurrences, persons involved, and any supporting documentation should be included in the report. The Business Ethics Standards Team may be contacted via our online contact form available in the Contact Us section of Arbonne's website at [arbonne.com](http://arbonne.com).

### 9.3. DISCIPLINARY SANCTIONS

Arbonne reserves the right to sanction any Arbonne Independent Consultant as specified in these Policies & Procedures when in Arbonne's sole discretion: (1) it is determined that the Arbonne Independent Consultant has violated any provisions of the Agreement, including the provisions of these Policies & Procedures in their current form and as they may be amended from time to time at Arbonne's sole discretion; (2) the Arbonne Independent Consultant has violated any laws, regulations, or standards of fair dealing; or (3) the Arbonne Independent Consultant has conducted him/herself in a way that, in Arbonne's sole discretion, damages or tarnishes Arbonne, its reputation or goodwill, or the interests of other Arbonne Independent Consultants.

#### 9.3.1. DISCIPLINARY SANCTIONS

Disciplinary sanctions may result, at Arbonne's discretion, in one or more of the following corrective measures:

- Issuance of a written warning or admonition;
- Requirement that the Arbonne Independent Consultant take immediate corrective measures;
- Imposition of a fine, which may be withheld from bonus and commission checks;
- Loss of rights to one or more bonus and commission checks or use of performance account;
- Withholding from an Arbonne Independent Consultant all or part of the Arbonne Independent Consultant's bonuses and commissions during the period that Arbonne is investigating any conduct allegedly violative of the Agreement (if an Arbonne Independent Consultant's business is involuntarily terminated for disciplinary reasons, the Arbonne Independent Consultant will not be entitled to recover any commissions withheld during the investigation period);
- Suspension of the Arbonne Independent Consultant's Agreement and Arbonne business for one or more pay periods including, but not limited to, suspension of awards or benefits (e.g., vacations, pins, etc.);
- Suspension from speaking at Arbonne training seminars or other meetings representing Arbonne;
- Prohibition from attending any corporate or Arbonne-sponsored event (e.g., GTC, NVP leadership meetings, Arbonne incentive trips), even if the Arbonne Independent Consultant has otherwise qualified for the event;
- Revocation of the Arbonne Independent Consultant's rank and reclassification of rank to Arbonne Independent Consultant or Preferred Client and resulting adjustment to override calculations, or in the case of Preferred Client, loss of downline or ability to receive commission and override payments;
- Transfer of an Arbonne Independent Consultant, downline or an entire group to the next upline;
- Involuntary termination of the offending Arbonne Independent Consultant's Agreement and Arbonne business;
- Institution of legal proceedings for monetary and/or equitable relief in situations deemed appropriate by Arbonne; or

- Any other measure expressly allowed within any provision of the Agreement or which Arbonne deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Arbonne Independent Consultant's policy violation or contractual breach.

All disciplinary sanctions are in addition to Arbonne's right to terminate or cancel the Agreement and the Arbonne Independent Consultant's Arbonne business with or without cause.

#### 9.3.2. NOTICE OF DISCIPLINE

Arbonne shall notify a disciplined Arbonne Independent Consultant by email, U.S. mail, overnight courier or other reasonable commercial means. Notice will be sent to the latest address listed with Arbonne for the Arbonne Independent Consultant. Sanctions shall become effective when sent or upon the Arbonne Independent Consultant's actual notice, whichever occurs first.

### 9.4. MEDIATION AND ARBITRATION

#### 9.4.1. BINDING, FINAL AND EXCLUSIVE RESOLUTION PROVISIONS, AND TIME LIMIT TO BRING CLAIMS

Arbonne and Arbonne Independent Consultants each waive their respective rights to a jury or court trial to resolve any dispute arising from, or relating to, the Agreement except as expressly set forth below. Thus, all such disputes shall be resolved exclusively through mediation or binding arbitration.

All disputes and claims (the "Dispute" or "Disputes") relating to Arbonne, or its past or present related entities, officers, directors, employees, investors, distributors or vendors, its marketing and compensation plan, its products, its services, the rights and obligations of an Arbonne Independent Consultant and Arbonne, or any other claims or causes of action arising out of the relationship between the parties or relating to the performance of either an Arbonne Independent Consultant or Arbonne under the Agreement, or the purchase of products, shall be submitted to mediation and if that is not successful, to final and binding arbitration as set forth here.

Notwithstanding the required mediation procedure set forth below, all such Disputes where either an Arbonne Independent Consultant seeks reinstatement of his or her Arbonne business after termination by Arbonne and/or any loss of income due to such termination, or Arbonne seeks payment from the terminated Arbonne Independent Consultant as allowed by Section 10.1 below (collectively the "Compensation or Refund Claims"), must be asserted by filing and serving a Demand for Arbitration within one year from the date of termination. In the event that such a Compensation or Refund Claim is timely filed and served in an arbitration proceeding by either party, the responding party, notwithstanding the one-year limitation, shall have an additional thirty (30) days to file and serve their own Compensation or Refund Claim in the same arbitration proceeding. The method of such filing and service shall be in accordance with the then applicable rules of the arbitration service discussed in Section 9.4.2 below. Failure to file and serve a Demand for Arbitration within such time periods shall bar all claims for such act(s) or omission(s) arising from or related to the Compensation or Refund Claim. Arbonne Independent Consultants and Arbonne waive all claims that any other statute of limitations apply as to the Compensation or Refund Claims. The limitations period for all other disputes and controversies between the parties shall be measured by the applicable statute of limitations under Delaware law or, where applicable, federal law. Notwithstanding any other provision in this Section and its subparts, any dispute regarding the timeliness of a Notice of Mediation or Demand for Arbitration shall be decided

exclusively by a court in the county and state of the primary Arbonne corporate office in the United States.

#### 9.4.2. MEDIATION

If a Dispute arises, it is expected that the parties will attempt in good faith to resolve it in an amicable and mutually satisfactory manner. If such efforts are unsuccessful, and as a prerequisite to filing a claim in arbitration, either party shall first serve a notice requesting mediation ("Notice of Mediation") on the other party. Notice of Mediation shall be personally delivered or sent by prepaid registered airmail or overnight courier, and shall be effective on receipt by the party to whom it is addressed. Notice to Arbonne must be addressed and delivered to the Chief Legal Officer or General Counsel at Arbonne's primary corporate offices in the United States. The Notice of Mediation shall be dated and shall specify the claims or issues that will be subjected to mediation, including the requested remedies sought in the mediation. The parties shall attempt, in good faith, to select a mutually acceptable mediator. The mediator shall be selected from the panel of mediators of Judicial Arbitration and Mediation Services, Inc. (JAMS) in Southern California or such panel of the mediators that the parties mutually agree in writing is appropriate. If the parties are unable to agree on a mediator, the parties shall request that JAMS submit a list of seven proposed mediators (the "Mediator List") to the parties. Within seven days after service of the Mediator List, each party shall submit a letter to JAMS that ranks four mediators on the Mediator List in order of preference and strikes the remaining three names. JAMS shall then select the mediator on the Mediator List with the highest combined ranking. The mediation shall take place in Orange County, California (or such other location as may be mutually agreed upon by the parties in writing) within 45 days after the selection of the mediator.

Further, the failure to pursue and/or complete mediation shall not relax or eliminate the requirement stated above in Section 9.4.1 above that a Demand for Arbitration must be filed and served within the one year period as to the Compensation and Refund Claims and it shall not toll, delay or extend the running of any other applicable statute of limitations as to any other claims.

The parties agree to share equally the costs of the mediator's fees and any other costs charged by JAMS in connection with the mediation. Each party shall individually bear their own other costs associated with the mediation, including but not limited to attorneys' fees, costs and travel expenses. The mediation, and any materials, briefs, statements, documents, or information exchanged at or in anticipation of the mediation, shall be kept confidential and shall not be admissible for any purpose in any legal proceeding.

#### 9.4.3. ARBITRATION

If the Disputes cannot be resolved by mediation as set forth above, the parties agree that in order to promote to the fullest extent reasonably possible a mutually amicable resolution of the Dispute in a timely, efficient and cost-effective manner, they will waive their respective rights to a trial by jury and settle their dispute by submitting the controversy to binding arbitration in the county and state of the primary Arbonne corporate office in the United States, or at such other mutually convenient place as the parties may agree in writing, before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules & Procedures, or its equivalent rules and procedures in place at the time of arbitration ("JAMS Rules"), except that all parties shall be entitled to discovery rights as determined by the arbitrator, but no greater than provided by the Federal Rules of Procedures then in effect.

In order for a claim to be considered timely filed in arbitration, in addition to satisfying the one year period discussed in Section 9.4.1 above

as to Compensation and Refund claims and, as to any other claims, the applicable statute of limitations, a party must also file and serve a demand for arbitration (the "Demand for Arbitration") with JAMS no later than 60 days after the initial date of mediation. The method of such filing and service shall be in accordance with the JAMS Rules. The Demand for Arbitration shall be dated and shall specify the claims or issues which are to be subject to arbitration, including the requested remedies sought in the arbitration. Any answer or cross-complaint shall be served within the deadlines set forth in the JAMS Rules or, in the case of a responding Compensation and Refund Claim, within the thirty (30) day period specified above. A party may assert a claim or counterclaim only in that party's individual capacity and not as a plaintiff or class member in any purported class or representative proceeding. Notwithstanding anything to the contrary in the JAMS Rules, the arbitrator may not consolidate more than one person's claims, and may not otherwise preside over any form of a representative or class proceeding.

Upon service of the Demand for Arbitration, the parties shall attempt, in good faith, to select a mutually agreeable arbitrator from the JAMS Panel of Arbitrators. If the parties are unable to select and notify JAMS of a mutually acceptable arbitrator within 21 days after service of the Demand for Arbitration, the parties shall request that JAMS submit to the parties a list of seven proposed arbitrators. Within seven days of service of the Arbitrator List, each party shall submit a letter to JAMS ranking four arbitrators on the Arbitrator List in order of preference and striking the remaining three names. JAMS shall then select the arbitrator on the Arbitrator List with the highest combined ranking. JAMS shall notify the parties in writing once an arbitrator has been mutually selected or appointed from the Arbitrator List.

The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et. seq., and the judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. Either party may elect to participate in the arbitration telephonically. Any substantive or procedural rights in any arbitration shall be governed by the law of the State of Delaware without giving effect to principles of conflicts of laws.

The parties further agree that (i) the arbitrator shall only reach his or her decision by applying strict rules of law to the facts presented at the arbitration; (ii) the arbitration shall be conducted in the English language; (iii) the party filing the Demand for Arbitration shall be responsible for the initial filing fees and costs charged by JAMS and the respondent shall be responsible for the filing fees of any Cross-Complaint that it files with JAMS; (iv) the parties shall share equally the costs of case management fees, arbitrator fees, arbitral forum fees and any other costs charged by JAMS in connection with the arbitration other than the filing fees referenced in sub-clause (iii) of this paragraph; (v) each party shall bear their own costs for attorney's fees, court reporter fees, transcript fees and other litigation costs that would otherwise be incurred in a court action; (vi) neither an Arbonne Independent Consultant nor Arbonne (nor any of its related entities, officers, directors, employees, investors, distributors or vendors) shall have any liability for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement or for any act, omission, or other conduct arising out of the parties' consulting relationship; and (vii) the arbitrator shall have the power to issue equitable relief, including, but not limited to, specific performance and injunctive relief.

Neither the Arbonne Independent Consultant nor Arbonne agree to any arbitration on a class or representative basis, and the arbitrator

shall have no authority to proceed on such a basis. Any arbitration of any claim will take place on an individual basis without resort to any form of class or representative action.

Except as provided below and as provided in sub-clause 9.4.1 relating to a dispute concerning the timeliness of a Demand for Arbitration, no party shall be entitled to commence or maintain any action in a court of law upon any matter in dispute until such matter shall have been submitted and determined as provided here and then only for the enforcement of such arbitration award. Notwithstanding this mediation and arbitration policy, either party may apply to a court of competent jurisdiction in the county and state of the primary Arbonne corporate office in the United States, or in any other competent jurisdiction as necessary to enforce an arbitration award or the injunctive relief granted by a court, or to seek a temporary restraining order or preliminary injunction to ensure that the relief sought in arbitration is not rendered ineffectual during the pendency of, or after the rendition of, a decision in any arbitration proceeding. The institution of any action for such equitable or provisional relief or to enforce an award or order shall not constitute a waiver of the right or obligation of any party to submit any claim seeking relief other than injunctive or enforcement relief to arbitration. Judgment upon the award may be entered by a trial court located in the county and state of the primary Arbonne corporate office in the United States, or application may be made to such court for the judicial acceptance of the award and order of enforcement, as the case may be, if the arbitrator's award or decision is not complied with within seven days of the arbitrator's decision.

The existence of any claim or cause of action of an Arbonne Independent Consultant against Arbonne whether predicated on the Independent Consultant Agreement or otherwise shall not constitute a defense to Arbonne's enforcement of an Arbonne independent consultant's covenants and agreements contained here or under the Agreement. This agreement to arbitrate shall survive any termination or expiration of any other agreements between the parties.

## 9.5. GOVERNING LAW, JURISDICTION AND VENUE

JURISDICTION AND VENUE OF ANY OTHER MATTER OF DISPUTE NOT SUBJECT TO MEDIATION OR ARBITRATION SHALL RESIDE EXCLUSIVELY IN STATE OR FEDERAL COURTS WITHIN THE STATE OF CALIFORNIA. THE FEDERAL ARBITRATION ACT SHALL GOVERN ALL MATTERS RELATING TO ARBITRATION. THE LAW OF THE STATE OF DELAWARE SHALL GOVERN ALL OTHER MATTERS RELATING TO OR ARISING FROM THE AGREEMENT WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS.

## SECTION 10 — INACTIVITY AND CANCELLATION

### 10.1. EFFECT OF SUSPENSION OR TERMINATION

An Arbonne Independent Consultant's bonuses and commissions constitute the entire consideration for the Arbonne Independent Consultant's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following an Arbonne Independent Consultant's non-renewal of his or her Agreement, cancellation of the Agreement for inactivity, or voluntary or involuntary cancellation of the Agreement (all of these methods are collectively referred to as "termination"), the former Arbonne Independent Consultant shall have no right, title, claim or interest to the SuccessLine which he or she operated, or any commission or bonus from the sales generated by the SuccessLine. An Arbonne Independent Consultant whose business is terminated will lose all rights as an Arbonne Independent Consultant and his or her Arbonne business will be canceled. This includes, but is not limited to, loss of the right to sell Arbonne products and services, to participate in Arbonne functions or



events, and to receive future commissions, bonuses, awards or other income resulting from the sales and other activities of the Arbonne Independent Consultant's former SuccessLine. Terminated Arbonne Independent Consultants have no right to compensation or damages from Arbonne. In the event of termination, Arbonne Independent Consultants agree to waive all rights they may have, including but not limited to, property rights, to their former SuccessLine and to any bonuses, commissions or other remuneration derived from the sales and/or other activities of his or her former SuccessLine. Following an Arbonne Independent Consultant's termination, Arbonne may, at its discretion, assign the former Arbonne Independent Consultant's SuccessLine to the next active upline Arbonne Independent Consultant.

Suspended Arbonne Independent Consultants are not permitted to attend Arbonne functions, engage in any Arbonne related activities, recruit Arbonne Independent Consultants, or sell Arbonne products so long as the suspension remains in effect, nor are they eligible to participate in the Arbonne compensation plan or receive commissions from Arbonne while the suspension is in effect. If an Arbonne Independent Consultant's Agreement is terminated following a suspension, the termination date is retroactive to the date of suspension, and the former Arbonne Independent Consultant shall have no right to recover commissions held during the suspension period. If Arbonne determines that it is appropriate to reinstate a suspended Arbonne Independent Consultant, Arbonne may, at its discretion, impose disciplinary sanctions as set forth in these Policies & Procedures as a condition of reinstating the suspended Arbonne Independent Consultant.

When termination occurs for any reason, an Arbonne Independent Consultant must wait 12 calendar months from the date of termination before reapplying as an Arbonne Independent Consultant. It is left to Arbonne's discretion whether to accept any individual who has previously been terminated. Suspension and termination are retroactive to the beginning of the calendar month in which the alleged wrongful conduct occurred for which the suspension is imposed by Arbonne. In addition to the indemnification obligations set forth in these Policies & Procedures, an Arbonne Independent Consultant who is involuntarily terminated for violation of the Agreement, or who voluntarily terminates his or her Agreement to avoid an involuntary termination or other disciplinary sanction, shall, upon demand by Arbonne, be liable to repay, return or compensate Arbonne for any benefit programs, prizes, incentives, commissions, bonuses or other remuneration received from Arbonne after the date of the activities causing such termination, as well as any other damages resulting to Arbonne from such conduct.

#### 10.2. CANCELLATION FOR INACTIVITY

If an Arbonne Independent Consultant has not renewed his or her Agreement by the end of the 13th month since his or her initial registration or last renewal date, he or she will be canceled as an Arbonne Independent Consultant on the first business day of the 14th month. At this time, the former Arbonne Independent Consultant's Arbonne ID will be assigned to Client status, all rights as an Arbonne Independent Consultant are relinquished and any SuccessLine is assigned to the next active upline Arbonne Independent Consultant. After cancellation has occurred, the former Arbonne Independent Consultant will be eligible to submit a new Independent Consultant Application & Agreement; however, a former Arbonne Independent Consultant may not register under a different Sponsor unless he or she has been inactive (no personal product purchases or sales to Clients or Preferred Clients, no personal sponsoring of Arbonne Independent Consultants and no registering of Preferred Clients) during a six-calendar-month period. Any product purchases by a former Arbonne Independent Consultant as a Client or Preferred Client will not constitute activity for purposes of determining inactivity during the six-month period.

#### 10.3. AGREEMENT TERMINABLE AT WILL

An Arbonne Independent Consultant may terminate his or her relationship with Arbonne at any time by providing a signed written notice to Arbonne. Arbonne also may terminate the relationship with an Arbonne Independent Consultant (including any partnerships, corporations or other entity) at any time by providing written notice. Arbonne Independent Consultants or Arbonne are not required to have any reason, nor do Arbonne Independent Consultants or Arbonne have to claim or prove any cause to terminate this relationship. If and when the relationship is terminated, Arbonne Independent Consultants shall have no claim against Arbonne nor any right to claim or collect lost profits, lost opportunities or any other damages. Termination will result in the loss of all benefits as an Arbonne Independent Consultant.

If an Arbonne Independent Consultant's relationship with Arbonne is terminated at his or her request, he or she may not re-enroll in Arbonne under a new Sponsor until six calendar months have elapsed from the date on which the relationship was terminated or the date on which the Arbonne Independent Consultant placed his or her last order with Arbonne, whichever is later. Arbonne reserves the right to reject any re-enrollment application. Arbonne makes no promises or assurances that the relationship with any Arbonne Independent Consultant will continue for any period or term.

### SECTION 11 — DEFINITIONS

**Agreement** — The contract between Arbonne and each Arbonne Independent Consultant, which includes the Independent Consultant Application & Agreement, the Arbonne Policies & Procedures, the Arbonne SuccessPlan, the Independent Consultant Code of Ethics, Arbonne's online Legal Terms & Conditions (for those who enroll or order products online), Arbonne's Privacy Policy on the website and the Business Entity Form (where appropriate), all in their current forms and as amended by Arbonne in its sole discretion. These documents are collectively referred to as the "Agreement."

**Arbonne Independent Consultant** — Any individual or entity who has submitted an Independent Consultant Application & Agreement that is accepted by Arbonne and who paid the initial Starter Kit Fee or an Annual Renewal Fee within the preceding 12 calendar months, regardless of the level the Arbonne Independent Consultant has achieved in the Arbonne SuccessPlan. Under this definition, the term Arbonne Independent Consultant refers to and includes Independent Consultants, Managers and Vice Presidents.

**Cancel** — The termination of an Arbonne Independent Consultant's business. Cancellation may be either voluntary, involuntary, through non-renewal or inactivity.

**Central Qualifying Volume** — The Qualifying Volume of Arbonne products sold by an Arbonne Independent Consultant's Central District, Area, Region or National sales organization. Central Qualifying Volume does include the Personal Qualifying Volume of the subject Arbonne Independent Consultant. Starter Kits and Business Aids do not have Qualifying Volume.

**Client** — An individual who purchases Arbonne products from an Arbonne Independent Consultant but who is not a participant in the Arbonne SuccessPlan. This includes Preferred Clients.

**Generation** — The layers of downline Arbonne Independent Consultants in a particular Arbonne Independent Consultant's SuccessLine organization. This term refers to the relationship of an Arbonne Independent Consultant relative to a particular upline Arbonne Independent Consultant, determined by the number of Arbonne Independent Consultants between them who are related by sponsorship. For example, if A sponsors B, who sponsors C, who sponsors D, who sponsors E, then E is A's fourth generation.

**Immediate Household** — An Immediate Household includes spouses, cohabitating couples, children under the age of 18 and relatives residing in the same dwelling. Also included in the definition are students attending boarding school or college who reside at school or college during the school year, but within the dwelling of their parents or other relatives during non-school periods. Persons such as roommates and tenants who are unrelated shall not fall within the definition of an Immediate Household and may each have their own Arbonne independent business.

**Preferred Client** — Preferred Clients register with Arbonne to purchase Arbonne products at a great value and participate in product promotions available to this special client base through the Preferred Client Program. Preferred Clients are not Arbonne Independent Consultants, and are not eligible to receive commissions or overrides, or sponsor others under the Arbonne SuccessPlan. Qualifying Volume/Retail Volume generated by sales by a Preferred Client is included in the Personal Qualifying Volume/Personal Retail Volume of the upline registering Arbonne Independent Consultant.

**Personal Qualifying Volume (PQV)** — The Qualifying Volume achieved personally by an Arbonne Independent Consultant in a calendar month, including Qualifying Volume from sales to his or her registered Clients and Preferred Clients and sales and purchases under an Arbonne Independent Consultant's own Arbonne ID.

**Personal Retail Volume (PRV)** — The retail value of products achieved by an Arbonne Independent Consultant in a calendar month, including Retail Volume from sales to his or her registered Clients and Preferred Clients and sales and purchases under an Arbonne Independent Consultant's own Arbonne ID.

**Pop-Up** — The method by which a vacancy in a SuccessLine left by an Arbonne Independent Consultant whose Arbonne Independent Consultant Agreement has been canceled is filled.

**Qualifying Volume (QV)** — Each Arbonne product carries a designated Qualifying Volume that is used to calculate qualifications, maintenance, product specials and campaign incentives. Starter Kits, Business Aids, Sample Packs and certain product specials have no Qualifying Volume.

**Rank** — The "title" that an Arbonne Independent Consultant has achieved pursuant to the Arbonne SuccessPlan.

**Recruit** — The term Recruit means actual or attempted solicitation, enrollment, encouragement, or effort to introduce or influence in any other way, either directly, indirectly or through a third party, another Arbonne Independent Consultant, Preferred Client or Client to enroll or participate in another direct selling, multilevel or network marketing (collectively "direct selling") company. Recruiting includes, but is not limited to, introducing another direct selling company to an Arbonne Independent Consultant via email or through a website. Indirect recruiting includes, but is not limited to, recruiting an Arbonne Independent Consultant's immediate household family members for another direct selling company.

**Re-saleable** — Products and Business Aids shall be deemed re-saleable if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; 4) it is returned to Arbonne within one year from the date of purchase; 5) the product contains current Arbonne labeling. Any merchandise that is clearly identified at the time of sale as non-returnable, discontinued or as a seasonal item shall not be re-saleable.

**Retail Volume (RV)** — RV is the volume used to calculate overrides. All Arbonne products carry a designated RV value that Arbonne Independent Consultants earn through their purchase and sale of those products. Please note that Starter Kits, Business Aids, sample packs and product specials have no RV.

**Sponsor** — An Arbonne Independent Consultant who enrolls another Arbonne Independent Consultant into the Company, and is listed as the

Sponsor on the Independent Consultant Application & Agreement. The act of enrolling others and training them to become Arbonne Independent Consultants is called sponsoring.

**SuccessLine Activity Report** — Reports generated by Arbonne that provide critical data relating to the identities of Arbonne Independent Consultants sales information and sponsoring activity of each Arbonne Independent Consultant's SuccessLine. This report contains confidential and trade secret information, which is proprietary to Arbonne.

**SuccessLine Leg** — Each one of the individuals sponsored immediately underneath an Arbonne Independent Consultant and their respective SuccessLine organizations represents one leg in an Arbonne Independent Consultant's SuccessLine organization.

**SuccessPlan** — The compensation plan for Arbonne Independent Consultants.

**Suggested Retail Price (SRP)** — The price suggested by Arbonne for the sale of Arbonne products to Clients. Arbonne catalogues, websites and other product marketing materials state the SRP for each Arbonne product. Sales of products at SRP enable Arbonne Independent Consultants to earn a retail commission.

**Upline** — The Arbonne Independent Consultant(s) above a particular Arbonne Independent Consultant in a sponsorship line up to the Company. Conversely stated, it is the line of sponsors that links any particular Arbonne Independent Consultant to the Company

All currency is represented in U.S. dollars unless otherwise stated.

# Arbonne Independent Consultant Code of Ethics

As an Arbonne Independent Consultant:

1. I will conduct myself with integrity and responsibility and will make the Golden Rule the cornerstone on which I build my business. I will read and adhere to the Code of Ethics of the Direct Selling Association available at [dsa.org](http://dsa.org).
2. I will uphold the values of Arbonne and not engage in any deceptive, unlawful, or unethical consumer or recruiting practice that may be detrimental or reflect poorly on Arbonne, the network marketing industry or me. I will support and advocate the Policies & Procedures and also respect the spirit and intent in which they were written.
3. I will familiarize myself with Arbonne's SuccessPlan and products and represent them to my Clients and prospective Arbonne Independent Consultants realistically and without misleading or providing false expectations. Any claims, representations or statements I make regarding Arbonne will be those included in the Arbonne literature.
4. I will, to my best ability, accept and fulfill the responsibilities to train, motivate, support and encourage all in my SuccessLine. I will treat my business like any other prestigious enterprise and will fulfill commitments I make to my Clients, fellow Arbonne Independent Consultants and associates.
5. I will not advise or encourage excessive buying at unrealistic levels. I will not inventory load, nor bonus buy.
6. I will convey the Arbonne opportunity to prospects with honesty and integrity and I will not misrepresent actual or potential sales or earnings. I realize that each individual's success is accomplished through their individual efforts.
7. I will make courteous and prompt exchanges and/or refunds to my Clients and I will assist my Clients who have ordered product directly from Arbonne International.
8. I will maintain a basic loyalty and professionalism to the network marketing industry as a whole and will not engage in unwarranted criticism of other network marketing companies.
9. I will abide by local, state and federal laws that govern my independent business. I understand that it is my responsibility to comply with these laws, the laws of my industry and with Arbonne's Policies & Procedures as they may be amended from time to time.
10. I will uphold this Code of Ethics and I recognize that its success will require diligence to create an awareness among all Arbonne's Independent Consultants. I will not, in any way, attempt to persuade, induce or coerce another party to breach this Code. Any such action is considered a violation of this Code and thereby a violation of Arbonne's Policies & Procedures.



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## EXHIBIT B





SuccessPlan | U.S.

as of December 2012

EST. 1975  
SWITZERLAND 





2 SuccessPlan | U.S.



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# Arbonne SuccessPlan | U.S.

## A harmonious balance of effort and reward

The Arbonne compensation plan, which Arbonne calls its SuccessPlan, is one of the most dynamic and generous compensation plans in the network marketing industry. From your first great day with an independent Arbonne business, you can begin to earn money. Whether your goal is to use and share the products, develop a retail Client or Preferred Client base, build and train an extensive network organization of Independent Consultants, or a combination of all, the Arbonne SuccessPlan offers lucrative rewards. The rewards include retail markup potential, commissions on Preferred Client orders, cash bonuses, sales overrides, generation overrides, the Mercedes-Benz Cash Bonus Program, and travel and life insurance benefits.

## Use the SuccessPlan to plan your success

Not only does the Arbonne compensation plan pay you for your success, its very structure helps you plan for your success, hence the name SuccessPlan. The SuccessPlan is designed to provide you with visible, manageable targets of achievement at each step of your Arbonne journey.

## Take control of your future

In the corporate world, your pay raises and bonuses are determined by someone else. The Arbonne SuccessPlan is there to pay you for your business-building and product-retailing efforts. Let Arbonne help you get all the raises and bonuses you deserve!

Capitalized terms used throughout the SuccessPlan are defined on Page 10.



THESE POLICIES CONTAIN STATEMENTS REGARDING THE ARBONNE COMPENSATION PLAN. THERE ARE NO GUARANTEES REGARDING INCOME, AND THE SUCCESS OR FAILURE OF EACH ARBONNE INDEPENDENT CONSULTANT, LIKE ANY OTHER INDEPENDENT BUSINESS, DEPENDS UPON EACH ARBONNE INDEPENDENT CONSULTANT'S OWN SKILLS AND PERSONAL EFFORT.

# Benefits

## Independent Consultant

- Up to 35% retail commission from the resale of Arbonne products purchased from Arbonne at a 35% discount from the Suggested Retail Price (SRP), excluding Business Aids, sample packs and Starter Kits.
- 15% commission on orders placed by personally registered Preferred Clients. This commission is paid on Suggested Retail Price and is not applicable to discounted product promotions, such as the Preferred Client Ultimate Value Pack, Host Rewards, \$125 for \$25 offer, PwPs and other designated promotions.
- 4% override on the Override Volume (OV) of all personally sponsored Independent Consultants.
- Access to ongoing product specials, Arbonne incentives and other monthly promotions.

## District Manager

*Same benefits as an Independent Consultant, except 4% override, plus:*

- 8% override on Central District OV.
- \$200 District Manager Cash Bonus with Central District sales of 5,000 Retail Volume (RV) and minimum five new Independent Consultants or Preferred Clients with at least 150 Personal Retail Volume (PRV) each in their Start Month.
- Direct deposit service for override and bonus checks.

## Executive District Manager

*Same benefits as a District Manager, plus:*

- 8% override on 1st Generation District Managers' OV.
- 2% override on 2nd Generation District Managers' OV with two 1st Generation Districts.
- 1% override on 3rd Generation District Managers' OV with three 1st Generation Districts.

## Area Manager

*Same benefits as an Executive District Manager, plus:*

- 6% override on Central Area OV.
- \$400 Area Manager Cash Bonus with Central Area sales of 20,000 RV and minimum 10 new Independent Consultants or Preferred Clients with at least 150 PRV each in their Start Month; receive the greater of the District or Area Cash Bonus.

## Executive Area Manager

*Same benefits as an Area Manager, plus:*

- 6% override on 1st Generation Area Managers' OV.
- 1% override on 2nd Generation Area Managers' OV with two 1st Generation Areas.
- 1% override on 3rd Generation Area Managers' OV with three 1st Generation Areas.

## Regional Vice President

*Same benefits as an Executive Area Manager, plus:*

- 3% override on Central Region OV.
- \$600 Vice President Cash Bonus with Central Region sales of 60,000 RV and minimum 30 new Independent Consultants or Preferred Clients with at least 150 PRV in their Start Month; receive the greater of the Region, Area or District Cash Bonus.
- \$800 Mercedes-Benz Cash Bonus with Central Region sales of 40,000 RV, a \$600 bonus with 35,000 RV, a bonus of \$400 with 30,000 RV and a bonus of \$200 with 25,000 RV, including Promotion Credits. For every month Paid-As an RVP or as an RVP in Title Maintenance, an RVP is eligible for the Mercedes-Benz Cash Bonus Program when the RVP provides documentation that he or she has purchased or leased a white Mercedes-Benz automobile and for so long as the RVP continues to own or lease a white Mercedes-Benz automobile. If an RVP is reassigned to Independent Consultant rank under Section 3.8 of the Policies & Procedures, the RVP will no longer be eligible for the Mercedes-Benz Cash Bonus Program.

## Executive Regional Vice President

*Same benefits as a Regional Vice President, plus:*

- 3% override on 1st Generation Regional Vice Presidents' OV.
- 2% override on 2nd Generation Regional Vice Presidents' OV with two 1st Generation Regions.
- 2% override on 3rd Generation Regional Vice Presidents' OV with three 1st Generation Regions.
- Arbonne Independent Consultant life insurance plan.

### QUALIFIED STATUS

IN ORDER TO PARTICIPATE IN MANAGEMENT QUALIFICATION PROGRAMS AND IN THE VARIOUS BONUS AND OVERRIDE PROGRAMS, ARBONNE INDEPENDENT CONSULTANTS MUST ACCUMULATE A MINIMUM OF 150 IN PERSONAL RETAIL VOLUME (PRV) EACH MONTH AND BE IN COMPLIANCE WITH THE AGREEMENT (AS DEFINED ON PAGE 10). PRV INCLUDES THE RETAIL VOLUME FROM SALES TO AN ARBONNE INDEPENDENT CONSULTANT'S REGISTERED CLIENTS AND PREFERRED CLIENTS AND SALES AND PURCHASES UNDER AN ARBONNE INDEPENDENT CONSULTANT'S OWN ARBONNE ID.

## Benefits cont'd

### National Vice President

*Same benefits as an Executive Regional Vice President, plus:*

- 1% override on Central Nation OV.
- \$1,000 Mercedes-Benz Cash Bonus with Central Nation sales of 160,000 RV, an \$800 bonus with 140,000 RV, a bonus of \$600 with 120,000 RV and a bonus of \$400 with 100,000 RV, including Promotion Credits. For every month Paid-As an NVP or as an NVP in Title Maintenance, the NVP will be eligible for the Mercedes-Benz Cash Bonus Program when the NVP provides documentation that he or she has purchased or leased a white Mercedes-Benz automobile and for so long as the NVP continues to own or lease a white Mercedes-Benz automobile. If an NVP is reassigned to Independent Consultant rank under Section 3.8 of the Policies & Procedures, the NVP will no longer be eligible for the Mercedes-Benz Cash Bonus Program.

### Executive National Vice President

*Same benefits as a National Vice President, plus:*

- 1% override on 1st Generation National Vice Presidents' OV.
- 1% override on 2nd Generation National Vice Presidents' OV with two 1st Generation Nations.
- 1% override on 3rd Generation National Vice Presidents' OV with three 1st Generation Nations.
- 1% override on 4th Generation National Vice Presidents' OV with four 1st Generation Nations.
- 1% override on 5th Generation National Vice Presidents' OV with five 1st Generation Nations.
- 1% override on 6th Generation National Vice Presidents' OV with six 1st Generation Nations.

#### YOUR SUCCESSLINE =

ALL ARBONNE INDEPENDENT CONSULTANTS WHO HAVE BEEN SPONSORED BELOW YOU, NO MATTER HOW DEEP, REGARDLESS OF WHETHER THEY WERE PERSONALLY SPONSORED BY YOU OR SPONSORED BY ARBONNE INDEPENDENT CONSULTANTS BELOW OTHER ARBONNE INDEPENDENT CONSULTANTS.

## Qualification Programs

### Qualified Status

In order to participate in management qualification programs and to receive overrides, bonuses and other incentives, Arbonne Independent Consultants must accumulate a minimum of 150 PRV each month and be in compliance with the Agreement. PRV includes the Retail Volume (RV) from sales to an Arbonne Independent Consultant's registered Clients and Preferred Clients and sales and purchases under an Arbonne Independent Consultant's own Arbonne ID. If an Arbonne Independent Consultant meets the qualification requirements to advance to the next rank, the process of reassignment takes place automatically at the end of the month of achievement and is effective on the first day of the following month. Levels of achievement are determined solely by the activity of each Arbonne Independent Consultant and their group activity.

### Independent Consultant

Each Arbonne Independent Consultant qualifies to start an Arbonne business at the Independent Consultant rank by purchasing the Arbonne Independent Consultant Starter Kit and completing the Arbonne Independent Consultant Application & Agreement.

Preferred Clients and Clients may upgrade their registration with Arbonne to Independent Consultant status by purchasing the Arbonne Independent Consultant Starter Kit (available at a special reduced price for Preferred Clients) and completing the Arbonne Independent Consultant Application & Agreement. This will result in a change in the individual's rank from Preferred Client or Client to Independent Consultant as of the date of payment.

*In order to maintain the Independent Consultant rank and receive related Independent Consultant benefits, Independent Consultants must meet ongoing activity requirements described on page 8. Independent Consultants who do not meet these maintenance requirements will be assigned to Preferred Client rank provided they have paid the annual renewal fee within the last 12 months, or to Client rank if they have not renewed. Independent Consultants sponsored on or before January 31, 2009 qualify for and will maintain Independent Consultant rank, provided they renew their Agreement by paying the annual renewal fee.*

# Qualification Programs cont'd

## District Manager

*One-, two- or three-month qualification options*

- When you accumulate 1,000 PRV — your personal sales — or 2,500 RV in a month, you will automatically enter into qualification for District Manager.

*and to complete qualification:*

- 6,000 RV in one month, 6,000 RV over two consecutive months, or 7,500 RV over three consecutive months.
- RV will be accumulated over the entire qualification period.
- Minimum 2,500 RV in the last month of the qualification period.
- Minimum 1,000 PRV accumulated in the qualification period.
- If applicable, Pick-up Credit of 650 RV for one or more personally sponsored, promoted, Paid-As District Manager or above, 1st Generation, each month.

## Executive District Manager

A District Manager who promotes a new District from Central District.

## Area Manager

*Two- or three-month qualification options*

- 24,000 RV over two months or 30,000 RV over three months.
- Minimum 10,000 RV in the first and the last month of the qualification period, and
- Minimum 2,500 RV in Central District each month of the qualification period.
- RV will be accumulated over the entire qualification period.
- If applicable, Pick-up Credit of 2,500 RV for one or more promoted, Paid-As Area Manager or above, 1st Generation District, each month.
- Maximum 10,000 RV from each 1st Generation paid-as District Manager's entire SuccessLine, excluding volume from 1st Generation Districts' promoted-out Area Managers, during the qualification period. If your 1st Generation District Manager promotes to Area Manager during your qualification period, the 2,500 RV Pick-up Credit is included in the maximum 10,000 RV that may be counted over the qualification period.

## Executive Area Manager

An Area Manager who promotes an Area from Central Area.

## Regional Vice President

*Two- or three-month qualification options*

- 96,000 RV over two months or 120,000 RV over three months.
- Minimum 40,000 RV in the first and the last month of the qualification period.
- RV will be accumulated over the entire qualification period.
- If applicable, Pick-up Credit of 10,000 RV for one or more promoted, Paid-As Regional Vice President or above, 1st Generation Area, each month.
- Maximum 40,000 RV from each 1st Generation, Paid-As Area Manager's SuccessLine, excluding volume from 1st Generation Areas' promoted-out Regional Vice Presidents, during the qualification period. If your 1st Generation Area Manager promotes to Regional Vice President during your qualification period, the 10,000 RV Pick-up Credit is included in the maximum 40,000 RV that may be counted over the qualification period.

## Executive Regional Vice President

A Regional Vice President will qualify for Executive Regional Vice President when he or she promotes a Region from his or her Central Region.

## National Vice President

*Two- or three-month qualification options*

- 384,000 RV over two months or 480,000 RV over three months.
- Minimum 160,000 RV in the first and the last month of the qualification period.
- RV will be accumulated over the entire qualification period.
- If applicable, Pick-up Credit of 40,000 RV for one or more promoted, Paid-As National Vice President, 1st Generation Region, each month.
- Maximum 160,000 RV from each 1st Generation, Paid-As Regional Vice President's SuccessLine, excluding volume from 1st Generation Regions' promoted-out National Vice Presidents, during the qualification period. If your 1st Generation Regional Vice President promotes to National Vice President during your qualification period, the 40,000 RV Pick-up Credit is included in the maximum 160,000 RV that may be counted over the qualification period.

## Executive National Vice President

A National Vice President who promotes a Nation from his or her Central Nation.



# Maintenance Requirements

## Independent Consultant

An Independent Consultant will maintain their rank and receive all of the benefits associated with that rank when they achieve 1,200 PRV during each 12-month period with Arbonne. We refer to this as the “12-in-12 Requirement”. Arbonne will measure each Independent Consultant’s PRV annually at the completion of each Anniversary Month to determine if he or she achieved 1,200 PRV during the past 12 full months, including his or her Anniversary Month just completed.

New Independent Consultants will begin accumulating an extra month of PRV to count towards their first 12-in-12 Requirement because the PRV they achieve during the calendar month they first register with Arbonne (which becomes their Anniversary Month each year) will be added to the volume measured during their first full 12-month period ending with their next Anniversary Month.

District Managers re-classified to Independent Consultant status during the year will be reviewed at the end of their next Anniversary Month to determine if they achieved 1,200 PRV during the prior 12 months, which may include months at which they held a different rank than Independent Consultant.

The 12-in-12 Requirement applies to all Independent Consultants sponsored after January 31, 2009. If an Independent Consultant does not meet this requirement as of the end of any such 12-month period, Arbonne will assign the Independent Consultant to the Preferred Client rank, if he or she has paid the annual renewal fee prior to his or her Anniversary Month, or to Client rank, if he or she has not renewed. The only renewal requirement for Independent Consultants sponsored on or before January 31, 2009 is to renew his or her Agreement and pay the annual renewal fee prior to his or her Anniversary Month.

## Manager and Vice President Monthly Requirements

Once promoted to Manager or Vice President, Independent Consultant Maintenance Requirements above are replaced with:

|                         |                              |
|-------------------------|------------------------------|
| District Manager        | 2,500 RV in Central District |
| Area Manager            | 10,000 RV in Central Area    |
| Regional Vice President | 40,000 RV in Central Region  |
| National Vice President | 160,000 RV in Central Nation |

**Promotion Credits** are made available to Regional and National Vice Presidents who have promoted-out Regions and Nations from their Central Regions and Nations, respectively. These Promotion Credits are automatically added to Central Region and Nation volume on a monthly basis.

- For each RVP promoted-out from your Central Region, 10,000 RV counts toward monthly RV maintenance requirements and Mercedes-Benz Cash Bonus Program.
- For each NVP promoted-out from your Central Nation, 40,000 RV counts toward monthly Nation RV maintenance requirements and Mercedes-Benz Cash Bonus Program.

**Performance Account (PA)** balances are determined based on the following criteria:

1. Upon promotion or reassignment from one rank to the next, your existing PA is set to zero and a two-month building period begins, during which all Central RV is deposited into your PA account without any maintenance deduction.
2. When promoting someone from your Central to the same level, a two-month building period goes into effect.
3. On an ongoing basis, PA account balances will be maintained as follows:

|                       |   |                           |   |                               |
|-----------------------|---|---------------------------|---|-------------------------------|
| Monthly<br>Central RV | — | Monthly RV<br>Requirement | = | Contribution to<br>PA Balance |
|-----------------------|---|---------------------------|---|-------------------------------|

*Should the monthly RV requirement not be met, and the resulting PA balance is 0, the Manager or Vice President will qualify for all benefits associated with their rank that month; however, reassignment to the next lower rank will take place the first of the following month. Performance Accounts are not available below District Manager title.*

## Title Maintenance and Reassignment

In order to participate in the rewards, incentives and other benefits associated with a particular title, an Arbonne Independent Consultant must be paid at that title and be in compliance with the Agreement. This Paid-As title is based on the Arbonne Independent Consultant’s performance in meeting qualification and maintenance requirements and may be different from the recognition title he or she currently holds according to the title maintenance reassignment schedule below.

In case of reassignment from one Paid-As title to the next, the former recognition title will be kept for a period of time according to the schedule below:

- District Manager title for 6 months following reassignment
- Area Manager title for 9 months following reassignment
- Vice President title for 12 months following reassignment

The process of reassignment to a former title takes place automatically at the end of the last month listed above and is effective on the first day of the following month. However, Arbonne Independent Consultants also may be reassigned with immediate effect upon notice by Arbonne to the Arbonne Independent Consultant pursuant to Sections 3.8 and 9.3 of the Policies & Procedures.

## Arbonne Independent Consultant Annual Renewal

The term of the Agreement is one year. Each Arbonne Independent Consultant must renew his or her Agreement with Arbonne every year prior to the end of his or her anniversary month by submitting the Annual Renewal Fee to Arbonne. Arbonne Independent Consultants who achieve 150 PRV in their Renewal Month and pay the Annual Renewal Fee will receive a complimentary product selected by Arbonne in addition to their continuing benefits.



# Summary

|                                     | Independent Consultant   | District | Area | Region | Nation |
|-------------------------------------|--|----------|------|--------|--------|
| Preferred Client Commission         | 15%  | 15%      | 15%  | 15%    | 15%    |
| Central Group Override              | 4%*  | 8%       | 6%   | 3%     | 1%     |
| 1 <sup>st</sup> Generation Override | *Independent Consultant is the only level with no depth and does not pay overrides on PRV. 4% override is paid only on personally sponsored Independent Consultants. Once you become District, the 4% is replaced by the 8%. | 8%       | 6%   | 3%     | 1%     |
| 2 <sup>nd</sup> Generation Override |  | 2%       | 1%   | 2%     | 1%     |
| 3 <sup>rd</sup> Generation Override |  | 1%       | 1%   | 2%     | 1%     |
| 4 <sup>th</sup> Generation Override |  |          |      |        | 1%     |
| 5 <sup>th</sup> Generation Override |  |          |      |        | 1%     |
| 6 <sup>th</sup> Generation Override |  |          |      |        | 1%     |

Think of each of these sections as separate “profit centers” for your business. As an Independent Consultant, you make a 15% commission on orders placed by personally registered Preferred Clients (based on SRP, excluding certain product promotions) and a 4% override on OV for sales of Independent Consultants you personally sponsor.

Once you become a District Manager, that 4% is “erased” ... it is replaced by the 8%, which is paid on your entire District. Remember, you are part of your District, so the 8% override is now also paid on the OV for your personal sales and purchases through your Arbonne ID, as well as from the sales to your registered retail Clients and Preferred Clients.

## Example:

To get paid at the 2nd and/or 3rd Generations (let’s look at District), you need to be as wide as you are deep. To get paid on a 2nd Generation District Manager (that’s two levels deep) in your organization, you need to have two District Managers at the 1st Generation level (two wide). To get paid on a 3rd Generation District Manager (that’s three levels deep), you must have three District Managers at the 1st Generational level (three levels wide).

# Definitions

The following defined terms apply throughout the SuccessPlan and are capitalized where used:

**Agreement:** The contract between Arbonne and each Arbonne Independent Consultant, including the Independent Consultant Application & Agreement (as well as renewals thereof), the Policies & Procedures, the Arbonne SuccessPlan, the Independent Consultant Code of Ethics, Arbonne's online Legal Terms and Conditions (for those who enroll online) and Arbonne's Privacy Policy on Arbonne's website, each as may be amended by Arbonne from time to time as set forth in the Policies & Procedures.

**Arbonne Independent Consultant:** Any individual who has signed and submitted an Arbonne Independent Consultant Application & Agreement to Arbonne that is accepted by Arbonne. Under this definition, the term Arbonne Independent Consultant refers to and includes all Independent Consultants, Managers and Vice Presidents.

**Bonuses, Overrides and Cash Awards:** All bonuses, overrides and cash awards will be calculated at the end of the achievement month and paid the following month to all Arbonne Independent Consultants who qualified for such bonuses, overrides and cash awards.

**Central Area:** Your Central Area comprises your Central District and all the Districts below you that have not yet reached the level of Area. When one of your Arbonne Independent Consultants reaches the level of Area Manager, then that Arbonne Independent Consultant (new AM) and all Arbonne Independent Consultants and Districts beneath him or her promote out from your Central Area to form their own Central Area — they are then considered a promoted 1st Generation Area.

**Central District:** Your Central District comprises you, your personally sponsored Independent Consultants and all other Independent Consultants sponsored by them and so on. When one of your Independent Consultants reaches the level of District Manager, then that Arbonne Independent Consultant (new DM) and all Arbonne Independent Consultants beneath him or her promote out from your Central District to form their own Central District — they are then considered a promoted 1st Generation District.

**Central Nation:** Your Central Nation comprises your Central Region and all the Regions below you that have not yet reached the level of Nation. When one of your Arbonne Independent Consultants reaches the level of National Vice President, then that new National Vice President and all Arbonne Independent Consultants beneath him or her promote out from your Central Nation to form their own Central Nation — they are then considered a promoted 1st Generation Nation.

**Central Region:** Your Central Region comprises your Central Area and all the Areas below you that have not yet reached the level of Region. When one of your Arbonne Independent Consultants reaches the level of Regional Vice President, then that new Regional Vice President and all Arbonne Independent Consultants beneath him or her promote out from your Central Region to form their own Central Region — they are then considered a promoted 1st Generation Region.

**Discount:** The percentage deducted from the Suggested Retail Price (SRP) of Arbonne products to give the Arbonne Independent Consultant product cost (Business Aids and any product specials not included).

**Generations:** Whenever an Arbonne Independent Consultant in your SuccessLine achieves the level of District Manager or above, they promote out to form their own Central Group (District, Area, Region or Nation, depending on the level achieved) and become part of your 1st Generation. At this time, the promoted Arbonne Independent Consultant, their entire Successline and their total Group Retail Volume (GRV) are no longer considered part of your Central Group. You will no longer be able to include their GRV in your Central Group override or in your Performance Account calculations, but their GRV will be available to you as 1st Generation overrides.

**Override Volume (OV):** Override Volume, on which overrides are calculated, is 65% of Retail Volume (RV).

**Paid-As:** The rank at which you are paid within the Arbonne SuccessPlan with regard to overrides, bonuses and other incentives. This rank is based on your performance and may be different from the recognition title you currently maintain.

**Personal Retail Volume (PRV):** The retail value of products achieved by an Arbonne Independent Consultant in a calendar month, including Retail Volume from sales to his or her registered Clients and Preferred Clients and sales and purchases under an Arbonne Independent Consultant's own Arbonne ID.

**Preferred Client:** Preferred Clients register with Arbonne to purchase Arbonne products at a great value and participate in product promotions available to this special client base through the Preferred Client Program. Preferred Clients are not Arbonne Independent Consultants, and are not eligible to receive commissions or overrides, or sponsor others under the Arbonne SuccessPlan. RV generated by sales to a Preferred Client is included in the PRV of the upline registering Arbonne Independent Consultant.

## Definitions cont'd

**Preferred Client Commission:** Commission paid on orders placed by Preferred Clients, calculated at 15% of the Suggested Retail Price of the orders, excluding product promotions such as the Ultimate Value Pack, Host Rewards, \$125 SRP for \$25 offer, PwPs or other designated promotions. This commission will be paid monthly, to the first Arbonne Independent Consultant above the purchaser in the lineage at the time of the fully completed order.

**Qualified Status:** In order to participate in management qualification programs and in the various bonus and override programs, Arbonne Independent Consultants must accumulate a minimum of 150 in Personal Retail Volume (PRV) each month and be in compliance with the Agreement.

**Retail Volume (RV):** RV is the volume used to calculate overrides. All Arbonne products carry a designated RV value that Arbonne Independent Consultants earn through their purchase and sale of those products. Please note that Starter Kits, Business Aids, sample packs and product specials have no RV.

**Start Month:** The calendar month in which an individual first becomes an Arbonne Independent Consultant or Preferred Client.

**Suggested Retail Price (SRP):** The price suggested by Arbonne for the sale of Arbonne products to Clients. Arbonne catalogues, websites and other product marketing materials state the SRP for each Arbonne product. Sales of products at SRP enable Arbonne Independent Consultants to earn a retail commission.

**SuccessLine:** All Arbonne Independent Consultants who have been sponsored below an Arbonne Independent Consultant, no matter how deep, regardless of whether they were personally sponsored by such Arbonne Independent Consultant or sponsored by Arbonne Independent Consultants below them.

All currency is represented in U.S. dollars unless otherwise stated.

## Amendments

Arbonne reserves the right to periodically amend or modify this SuccessPlan, the Policies & Procedures, Privacy Policy, and the Independent Consultant Application & Agreement (the Agreement). The Arbonne Independent Consultant agrees to abide by the Agreement and all amendments and modifications.

No Arbonne Independent Consultant of any status may alter, amend or waive any provision of the Agreement and any representation or statement to the contrary, or which is inconsistent with the foregoing, should not be relied upon and will not be binding on Arbonne.



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## EXHIBIT C



# Independent Consultant Compensation Summary

## Company Overview

Arbonne is a highly regarded premium brand with a Swiss heritage. The products are healthy, botanically based and inspired by nature. Arbonne Independent Consultants believe in the Arbonne products and vision, and enjoy the flexibility of a business tailored around their lives — not the other way around. They earn income through the Arbonne compensation plan, or SuccessPlan. Arbonne is a direct selling company that operates in the United States, Canada, Australia, the United Kingdom, Poland, New Zealand, and Taiwan, with a network of approximately 268,100 Active Independent Consultants and 1,500,000 Preferred Clients as of the end of 2016.

## Arbonne Independent Consultants earn in 4 ways through our SuccessPlan:

1. Retail profits on sales of products purchased at discounted prices from Arbonne, Preferred Client Commissions paid on products purchased by their Preferred Clients calculated at 15% of the suggested retail price of orders,
2. Overrides paid on their product sales volume and the sales volume of other Arbonne Independent Consultants on their team,
3. Mercedes-Benz Cash Bonus Program (at Vice President Level), paid on their product sales volume and the sales volume of other Arbonne Independent Consultants on their team,
4. Bonuses paid on their product sales volume and the sales volume of other Arbonne Independent Consultants on their team.

## Earning Overrides, Bonuses and Preferred Client Commissions

During 2016, Arbonne paid in excess of \$244 million in Preferred Client commissions, overrides and bonuses (together "Earnings") to Arbonne Independent Consultants globally and \$163 million in Earnings in the United States and its territories. These Earnings do not include any retail commission income.\* In the United States, Arbonne had an average of 180,600 Arbonne Independent Consultants during 2016.\*\* Any Arbonne Independent Consultant who received Earnings in a month is an "Active Arbonne Independent Consultant" for purposes of this compensation summary. On a monthly basis, the United States had an average of 24,800 Active Arbonne Independent Consultants in 2016, or 14% of all U.S. Arbonne Independent Consultants. Because not all Arbonne Independent Consultants qualify to receive Earnings each month, the figures in this compensation summary represent the average Earnings paid in 2016 to the individuals who did.

## Average Annual Earnings of Active Arbonne Independent Consultants for 2016

|                                 | Average Annual Earnings | Top 50 Average | Bottom 50 Average | Average % of Active Arbonne Independent Consultants | Average Months to Promote |
|---------------------------------|-------------------------|----------------|-------------------|---|---------------------------|
| <b>National Vice Presidents</b> | \$250,847               | \$567,478      | \$89,117          | 1%  | 55                        |
| <b>Regional Vice Presidents</b> | \$64,722                | \$127,375      | \$21,418          | 3%  | 35                        |
| <b>Area Managers</b>            | \$16,560                | \$53,984       | \$2,405           | 8%  | 21                        |
| <b>District Managers</b>        | \$3,336                 | \$19,788       | \$88              | 30%   | 7                         |
| <b>Independent Consultants</b>  | \$767                   | \$7,423        | \$25              | 59%   | n/a                       |

**Note:** These figures do not represent Arbonne Independent Consultants' profits, as they do not consider expenses incurred by Arbonne Independent Consultants in the promotion of their businesses and do not include retail commission from reselling product.

\*Arbonne Independent Consultants can earn up to 35% retail profit on Client purchases. Arbonne does not provide an estimate of average or actual Arbonne Independent Consultant income from retail sales in this compensation summary because published retail price is only a suggested price, Arbonne Independent Consultants are free to set their own retail prices for Clients, and many Arbonne Independent Consultants also purchase products to personally use.

\*\*Figures regarding Arbonne Independent Consultants do not include Client or Preferred Client accounts, which are not eligible to participate in the Arbonne SuccessPlan.

Arbonne is a proud member of the Direct Selling Association.



**THERE ARE NO GUARANTEES REGARDING INCOME, AND THE SUCCESS OR FAILURE OF EACH ARBONNE INDEPENDENT CONSULTANT, LIKE ANY OTHER BUSINESS, DEPENDS ON EACH ARBONNE INDEPENDENT CONSULTANT'S OWN SKILLS AND PERSONAL EFFORT. YOU SHOULD NOT RELY ON THE RESULTS OF OTHER ARBONNE INDEPENDENT CONSULTANTS AS AN INDICATION OF WHAT YOU SHOULD EXPECT TO EARN.**

For further details about the Arbonne SuccessPlan, speak to your Arbonne Independent Consultant, visit [arbonne.com](http://arbonne.com) or call Customer Service at 1.800.ARBONNE.



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