

Chaga International, Inc.

STATEMENT OF POLICIES

Effective April, 2007

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SECTION 1 - CORPORATE MISSION STATEMENT

Our Mission is to create a foundation for a better way of life by providing breakthrough life-enhancing, anti-aging products, a platform for personal excellence and true financial freedom, all supported with the highest degree of ethics, integrity, leadership, quality, and service.

SECTION 2 - INTRODUCTION

2.1 - Policies and Compensation Plan Incorporated into Membership Agreement

These Policies, in their present form and as amended at the sole discretion of Chaga, International, Inc. (hereafter "Chaga" or the "Company"), are incorporated into, and form an integral part of, the Chaga Member Agreement. Throughout these Policies, when the term "Agreement" is used, it collectively refers to the Chaga Membership Application and Agreement, these Policies, and the Chaga Marketing and Compensation Plan. These documents are incorporated by reference into the Chaga Membership Agreement (all in their current form and as amended by Chaga). It is the responsibility of each Member to read, understand, adhere to, and ensure that he or she is aware of and operating under the most current version of these Policies. When sponsoring or enrolling a new Member, it is the responsibility of the sponsoring Member to ensure that the applicant is provided with, or has online access to, the most current version of these Policies and the Chaga Marketing and Compensation Plan prior to his or her execution of the Membership Agreement.

2.2 - Purpose of Policies

Chaga is a direct sales company that markets its products through Independent Contractors referred to within the Chaga marketing program and Policies as Members. It is important to understand that your success, and the success of your fellow Members, depends on the integrity of the men and women who market our products and services. To clearly define the relationship that exists between Chaga and its Members, and to explicitly set a standard for acceptable business conduct, Chaga has established the Agreement.

Chaga Members are required to comply with all of the Terms and Conditions set forth in the Agreement which Chaga may amend at its sole discretion from time to time, as well as all federal, state, and local laws governing their Chaga business and their conduct. Because you may be unfamiliar with many of these standards of practice, it is very important that you read and abide by the Agreement. Please review the information in this manual carefully. It explains and governs the relationship between you, as an independent contractor and the Company. If you have any questions regarding any policy or rule, do not hesitate to seek an answer from anyone in your upline or Chaga.

2.3 - Changes to the Agreement

Because federal, state, and local laws, as well as the business environment, periodically change, Chaga reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Member Agreement, a Member agrees to abide by all amendments or modifications that Chaga elects to make. Amendments shall be effective upon notice to all Members that the Agreement has been modified. Notification of amendments shall be published in official Chaga materials. The Company shall provide or make available to all Members a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company's official web site; (2) electronic mail (e-mail); (3) inclusion in Company periodicals; (4) inclusion in product orders or bonus checks; or (5) special mailings. The continuation of a Member's Chaga business or a Member's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

2.4 - Delays

Chaga shall not be responsible for delays or failures in performance of its obligations when

performance is made commercially impracticable due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, riot, war, fire, death, curtailment of a party's source of supply, or government decrees or orders.

2.5 - Policies and Provisions Severable

If any provision of the Agreement, in its current form or as may be amended, is found to be invalid or unenforceable for any reason, only the invalid portion(s) of the provision shall be severed and the remaining terms and provisions shall remain in full force and effect. The stricken portions of the provisions shall be reformed so as to reflect the intent of the provision as closely as possible.

2.6 - Waiver

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

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

SECTION 3 - BECOMING A MEMBER

3.1 - Requirements to Become a Member

To become a Chaga Member, each applicant must:

- 3.1.1** - Be at least 18 years of the age or the age of majority in his or her state of residence if different;
- 3.1.2** - Reside in the United States, a U.S. Territory, or any other country that Chaga has officially announced is open for business;
- 3.1.3** - Have a valid Social Security or Federal Tax ID number;
- 3.1.4** - Pay the annual fee for the Membership Online Back Offices Business Center and Replicated Website (optional in North Dakota); and
- 3.1.5** - Complete an online Membership Application and Agreement.

3.2 - No Product Purchase Required

Other than the purchase of the Membership Online Back Offices Business Center and Replicated Website, no person is required to purchase Chaga products, services to become a Member. In order to familiarize new Members with Chaga products, services, sales techniques, sales aids, and other matters, the Company recommends that they purchase products. Chaga will repurchase resalable products and sales aids from any Member who terminates his or her Membership Agreement pursuant to the terms of Section 8.3.

3.3 - Member Benefits

Once a Membership Application and Agreement has been accepted by Chaga, the benefits of the Marketing and Compensation Plan and the Membership Agreement are available to the new Member. These benefits include the right to:

- 3.3.1** - Sell Chaga products and services;
- 3.3.2** - Participate in the Chaga Marketing and Compensation Plan (receive bonuses

and commissions, if eligible);

- 3.3.3** - Sponsor other individuals as Customers or Members into the Chaga business and thereby, build a marketing organization and progress through the Chaga Marketing and Compensation Plan;
- 3.3.4** - Receive periodic Chaga literature and other Chaga communications;
- 3.3.5** - Participate in Chaga-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- 3.3.6** - Participate in promotional and incentive contests and programs sponsored by Chaga for its Members.

3.4 - Term and Renewal of Your Chaga Business

The term of the Member Agreement is one year from the date of its acceptance by Chaga. Members must renew their Member Agreement each year by paying an annual renewal fee on or before the anniversary date of their Member Agreement. If the renewal fee is not paid within 30 days after the expiration of the current term of the Member Agreement, the Member Agreement will be canceled. Chaga utilizes an Automatic Renewal Program ("ARP"). Under the ARP, the renewal fee will be charged to the Member's credit card on file with the Company.

SECTION 4 - OPERATING A CHAGA BUSINESS

4.1 - Adherence to the Chaga Marketing and Compensation Plan

Members must adhere to the terms of the Chaga Marketing and Compensation Plan as set forth on the Company's official website and in official Chaga literature (jointly referred to as official publications). Members shall not offer the Chaga opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Chaga publications. Members shall not require or encourage other current or prospective Customers or Members to participate in Chaga in any manner that varies from the program as set forth in official Chaga publications. Members shall not require or encourage other current or prospective Customers or Members to execute any agreement or contract other than official Chaga agreements and contracts in order to become a Chaga Member or Customer. Similarly, Members shall not require or encourage other current or prospective Customers or Members to make any purchase from, or payment to, any individual or other entity to participate in the Chaga Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in official Chaga literature.

4.2 - Advertising

4.2.1 - General

All Members shall safeguard and promote the good reputation of Chaga and its products. The marketing and promotion of Chaga, the Chaga opportunity, the Marketing and Compensation Plan, and Chaga products shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

To promote both the products and services, and the tremendous opportunity Chaga offers, Members must use only the sales tools and support materials produced by Chaga. The rationale behind this requirement is simple. Chaga has carefully designed its products, product labels, Marketing and Compensation Plan, and promotional materials to present the best image and to ensure that each aspect of Chaga is fair, truthful, substantiated, and complies with the vast and complex legal requirements of federal and state laws. If Chaga Members were allowed to develop their own sales tools and promotional materials notwithstanding their integrity and good intentions, the likelihood that they would unintentionally violate any number of statutes or regulations affecting a Chaga business is almost certain. These violations, although they may be relatively few in number, would jeopardize the Chaga opportunity for all Members.

Accordingly, Members may not produce their own literature, business cards,

sales tools, advertising and promotional materials, or Internet web pages. Members must use only those materials provided by Chaga International.

4.2.2 - Member Web Sites

Each Member is provided a replicated version of the Chaga official website for use in promotion of the Company's products and marketing program. Therefore Members are not allowed under any circumstances to develop, create or use any other website or web pages for the promotion of Chaga products, service or marketing program. Any violation of this Policy would also violate Section 4.2.5 herein. Strict adherence to this policy is paramount to upholding the integrity of the entire Chaga marketing program every Member of Chaga. Any violation of this policy will result in disciplinary action as outlined in Section 9.1 of these Policies.

4.2.3 - Blogs, Chat Rooms, Social Networks, Online Auctions, and other Online Forums

Members shall not use online blogs, chat rooms, social networks, online auctions sites, or any other online forum to market, sell, advertise, promote, or discuss Chaga's products or services or the Chaga opportunity.

4.2.4 - Domain Names

Members may not use or attempt to register any of Chaga's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain name.

4.2.5 - Trademarks and Copyrights

Chaga will not allow the use of its trade names, trademarks, designs, or symbols by any person, including Chaga Members, without its prior, written permission. Members may not produce for sale or distribution any recorded Company events and speeches without written permission from Chaga nor may Members reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

4.2.6 - Media and Media Inquiries

Members must not attempt to respond to media inquiries regarding Chaga International, its products or services, or their independent Chaga business. All inquiries by any type of media must be immediately referred to Chaga's Public Relations Department. This policy is designed to assure that accurate and consistent information is provided to the public as well as a proper public image.

4.2.7 - Unsolicited Email

Chaga does not permit Members to send unsolicited commercial emails unless such emails strictly comply with applicable laws and regulations including, without limitation, the federal CAN SPAM Act. Any email sent by a Member that promotes Chaga, the Chaga opportunity, or Chaga products and services must comply with the following:

- i. There must be a functioning return email address to the sender.
- ii. There must be a notice in the email 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).
- iii. The email must include the Member's physical mailing address.
- iv. The email must clearly and conspicuously disclose that the message is an advertisement or solicitation.
- v. The use of deceptive subject lines and/or false header information is prohibited.
- vi. All opt-out requests, whether received by email or regular mail, must be honored. If a Member receives an opt-out request from a recipient of an email, the Member must forward the opt-out request to the Company.

Chaga may periodically send commercial emails on behalf of Members. By entering into the Member Agreement, Member agrees that the Company may send such emails and that the Member's physical and email addresses will be included in such emails as outlined above. Members shall honor opt-out requests generated as a result of such emails sent by the Company.

4.2.8 - Unsolicited Faxes

Except as provided in this section, Members may not use or transmit unsolicited faxes or use an automatic telephone dialing system relative to the operation of their Chaga businesses. The term "automatic telephone dialing system" means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers. The terms "unsolicited faxes" means the transmission via telephone facsimile or electronic mail, respectively, of any material or information advertising or promoting Chaga, its products, its compensation plan or any other aspect of the company which is transmitted to any person, except that these terms do not include a fax or e-mail: (a) to any person with that person's prior express invitation or permission; or (b) to any person with whom the Member has an established business or personal relationship. The term "established business or personal relationship" means a prior or existing relationship formed by a voluntary two way communication between a Member and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding products offered by such Member; or (b) a personal or familial relationship, which relationship has not been previously terminated by either party.

4.3 - 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 Independent Membership Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Member or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Members or Customers ("phantoms"); (d) Purchasing Chaga products or services on behalf of another Member or Customer, or under another Member's or Customer's I.D. number, to qualify for commissions or bonuses; (e) purchasing excessive amounts of goods or services that cannot reasonably be used or resold in a month; and/or (f) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions or bonuses that is not driven by bona fide product or service purchases by end user consumers.

4.4 - Business Entities

A corporation, partnership or trust (collectively referred to in this section as a "Business Entity") may apply to be a Chaga Member by submitting the Business Entity information on the Membership Agreement during the enrollment process including the business E.I.N. number.

4.4.1 - Changes to a Business Entity

Any changes or updates to the Membership information are made through the Member's Back Office Business Center.

4.5 - Change of Sponsor

To protect the integrity of all marketing organizations and safeguard the hard work of all Members, Chaga prohibits changes in sponsorship. Maintaining the integrity of sponsorship is critical for the success of every Member and marketing organization.

Transfers may only be considered in the following two circumstances:

4.5.1 - Misplacement

In cases in which the new Member is sponsored by someone other than the individual he or she was led to believe would be his or her Sponsor, a Member may request that he or she be transferred to another organization with his or her entire marketing organization intact.

Requests for transfer under this policy will be evaluated on a case-by-case basis and must be made within 60 days from the date of enrollment. The Member requesting the change has the burden of proving that he or she was placed beneath the wrong sponsor.

4.5.2 - Cancellation and Re-application

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

4.6 - Unauthorized Claims and Actions

4.6.1 - Indemnification

A Member is fully responsible for all of his or her verbal and written statements made regarding Chaga products, services, and the Marketing and Compensation Plan which are not expressly contained in official Chaga materials. Members agree to indemnify Chaga and Chaga's directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by Chaga as a result of the Member's unauthorized representations or actions. This provision shall survive the termination of the Member Agreement.

4.6.2 - Product Claims

No claims (which include personal testimonials) as to therapeutic or curative properties of any products offered by Chaga may be made except those contained in official Chaga literature. In particular, no Member may make any claim that Chaga 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 do such claims violate Chaga policies, but they potentially violate federal and state laws and regulations, including the federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act.

4.6.3 - Income Claims

The Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Members may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact Chaga as well as the Member making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because Chaga Members do not have the data necessary to comply with the legal requirements for making income claims, a Member, when presenting or discussing the Chaga opportunity or Marketing and Compensation Plan to a prospective Member, may not make income projections, income claims, or disclose his or her Chaga income (including the showing of checks, copies of checks, bank statements, or tax records).

4.7 - Commercial Outlets

Members may not sell Chaga products from retail stores and outlets. Members may, however, display and sell Chaga products in service establishments in which the primary source of revenue for the establishment is derived from the sale or provision of services and customers/clients are seen on an appointment basis. Examples of such establishments include Physician's, Dentist's, and Chiropractor's offices and other professional service providers. Examples of prohibited retail stores and outlets include pharmacies, mass merchandisers, discount, and health food stores.

4.8 - Trade Shows, Expositions and Other Sales Forums

Members may display and/or sell Chaga products at trade shows and professional expositions. Should any Member choose to do so, he she does so at their own risk and Chaga shall not be liable for any losses or damages the Member may incur. Any Member engaging in

such activities should put forth a professional image and comply with all other advertising policies of Chaga. Members may not sell Chaga products or promote the Chaga marketing program at swap meets, garage sales, flea markets or farmer's markets as these events are not conducive to the professional image Chaga wishes to portray.

4.9 - Conflicts of Interest

4.9.1 - Nonsolicitation

Chaga Members are free to participate in other multilevel or network marketing business ventures or marketing opportunities (collectively "network marketing"). However, during the term of this Agreement, Members may not directly or indirectly Recruit other Chaga Members or Customers for any other network marketing business.

Following the cancellation of a Member's independent Membership Agreement, and for a period of six calendar months thereafter, with the exception of a Member who is personally sponsored by the former Member, a former Member may not Recruit any Chaga Member or Customer for another network marketing business. Members and the Company recognize that because network marketing is conducted through networks of independent contractors dispersed across the entire United States and internationally, and business is commonly conducted via the internet and telephone, an effort to narrowly limit the geographic scope of this non-solicitation provision would render it wholly ineffective. Therefore, Members and Chaga agree that this non-solicitation provision shall apply to all markets in which Chaga conducts business.

4.9.2 - Sale of Competing Goods or Services

Members must not sell, or attempt to sell, any competing non-Chaga programs, products or services to Chaga Customers or Members. Any program, product or services in the same generic categories as Chaga products or services is deemed to be competing, regardless of differences in cost, quality or other distinguishing factors.

4.9.3 - Member Participation in Other Direct Selling Programs

If a Member is engaged in other non-Chaga direct selling programs, it is the responsibility of the Member to ensure that his or her Chaga business is operated entirely separate and apart from any other program. To this end, the following must be adhered to:

- Members shall not display Chaga promotional material, sales aids, products or services with or in the same location as, any non-Chaga promotional material or sales aids, products or services.
- Members shall not offer the Chaga opportunity, products or services to prospective or existing Customers or Members in conjunction with any non-Chaga program, opportunity, product or service.
- Members may not offer any non-Chaga opportunity, products, services or opportunity at any Chaga-related meeting, seminar or convention, or within two hours and a five mile radius of the Chaga event. If the Chaga meeting is held telephonically or on the internet, any non-Chaga meeting must be at least two hours before or after the Chaga meeting, and on a different conference telephone number or internet web address from the Chaga meeting.

4.9.4 - Downline Activity (Genealogy) Reports

Downline Activity Reports are available for Member access and viewing at Chaga's official web site through the Member's Online Back Office Business Center. Member access to their Online Back Office Business Center and Downline Activity Reports is password protected. **All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to Chaga.** Downline Activity Reports are provided to Members in strictest confidence and are made available to Members for the sole purpose of assisting Members in working with their respective Downline Organizations in the development of their Chaga business. Members

should use their Downline Activity Reports to assist, motivate, and train their downline Members. The Member and Chaga agree that, but for this agreement of confidentiality and nondisclosure, Chaga would not provide Downline Activity Reports to the Member. A Member shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- Directly or indirectly disclose the password or other access code to his or her Downline Activity Report;
- Use the information to compete with Chaga or for any purpose other than promoting his or her Chaga business;
- Recruit or solicit any Member or Customer of Chaga listed on any report, or in any manner attempt to influence or induce any Member or Customer of Chaga, to alter their business relationship with Chaga; or
- Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Downline Activity Report.

Upon demand by the Company, any current or former Member will return the original and all copies of Downline Activity Reports to the Company.

4.10 - Targeting Other Direct Sellers

Chaga does not condone Members specifically or consciously targeting the sales force of another direct sales company to sell Chaga products or to become Members for Chaga, nor does Chaga condone Members solicitation or enticement of members of the sales force of another direct sales company to violate the terms of their contract with such other company. Should Members engage in such activity, they bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration or mediation is brought against a Member alleging that he or she engaged in inappropriate recruiting activity of its sales force or customers, Chaga will not pay any of Member's defense costs or legal fees, nor will Chaga indemnify the Member for any judgment, award, or settlement.

4.11 - Cross-Sponsoring

Actual or attempted cross sponsoring is strictly prohibited. "Cross sponsoring" is defined as the enrollment of an individual who or entity that already has a current Customer or Member Agreement on file with Chaga, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited. Members shall not demean, discredit or defame other Chaga Members in an attempt to entice another Member to become part of the first Member's marketing organization. This policy shall not prohibit the transfer of a Chaga business in accordance with Section 4.25.

If Cross Sponsoring is discovered, it must be brought to the Company's attention immediately. Chaga may take disciplinary action against the Member that changed organizations and/or those Members who encouraged or participated in the Cross Sponsoring. Chaga may also move all or part of the offending Member's downline to his or her original downline organization if the Company deems it equitable and feasible to do so. However, Chaga is under no obligation to move the Cross Sponsored Member's downline organization, and the ultimate disposition of the organization remains within the sole discretion of Chaga. **Members waive all claims and causes of action against Chaga arising from or relating to the disposition of the Cross Sponsored Member's downline organization.**

4.12 - Errors or Questions

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

4.13 - Governmental Approval or Endorsement

Neither federal nor state regulatory agencies or officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Members shall not represent or imply that Chaga or its Marketing and Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

4.14 - Identification

All Members are required to provide their Social Security Number, or a Federal Employer Identification Number to Chaga on the Member Application and Agreement. Upon enrollment, the Company will provide a unique Member Identification Number to the Member by which he or she will be identified. This number will be used to place orders, and track commissions and bonuses.

4.15 - Income Taxes

Each Member is responsible for paying local, state, and federal taxes on any income generated as an Independent Member. If a Chaga business is tax exempt, the Federal tax identification number must be provided to Chaga. Every year, Chaga will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who: 1) Had earnings of over \$600 in the previous calendar year; or 2) Made purchases during the previous calendar year in excess of \$5,000.

4.16 - Independent Contractor Status

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

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

Member's Name
Independent Chaga Member; Independent Distributor; or Independent Product Consultant

All Members may list themselves as an "Independent Chaga Member" in the white or yellow pages of the telephone directory under their own name. No Member may place telephone directory display ads using Chaga's name or logo. Members may not answer the telephone by saying "Chaga", "Chaga Incorporated", or in any other manner that would lead the caller to believe that he or she has reached corporate offices of Chaga.

4.17 - Insurance

You may wish to arrange insurance coverage for your business. Your homeowner's insurance policy does not cover business-related injuries, or the theft of or damage to

inventory or business equipment. Contact your insurance agent to make certain that your business property is protected. This can often be accomplished with a simple "Business Pursuit" endorsement attached to your present homeowner's policy.

4.18 - International Marketing

Because of critical legal and tax considerations, Chaga must limit the resale of Chaga products, and the presentation of the Chaga business to prospective customers and Members located within the United States and U.S. Territories and those other countries that the Company has announced are officially open for business. Moreover, allowing a few Members to conduct business in markets not yet opened by Chaga would violate the concept of affording every Member the equal opportunity to expand internationally.

Accordingly, Members are authorized to sell Chaga products and enroll Customers or Members only in the countries in which Chaga is authorized to conduct business, as announced in official Company publications. Chaga products or sales aids cannot be shipped into or sold in any foreign country. Members may sell, give, transfer, or distribute Chaga products or sales aids only in their home country. In addition, no Member may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll potential customers or Members; or (c) conduct any other activity for the purpose of selling Chaga products, establishing a marketing organization, or promoting the Chaga opportunity.

4.19 - Inventory Loading

Members must never purchase more products than they can reasonably use or sell to retail customers in a month, and must not influence or attempt to influence any other Member to buy more products than they can reasonably use or sell to retail customers in a month.

4.20 - Adherence to Laws and Ordinances

Members shall comply with all federal, state, and local laws and regulations in the conduct of their businesses. Many cities and counties have laws regulating certain home-based businesses. In most cases these ordinances are not applicable to Members because of the nature of their business. However, Members must obey those laws that do apply to them. If a city or county official tells a Member that an ordinance applies to him or her, the Member shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of Chaga. In most cases there are exceptions to the ordinance that may apply to Chaga Members.

4.21 - Minors

A person who is recognized as a minor in his/her state of residence or under the age of eighteen (18) may not be a Chaga Member. Members shall not enroll or recruit minors into the Chaga program.

4.22 - One Chaga Business Per Member and Per Household

A Member may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one Chaga business. No individual may have, operate or receive compensation from more than one Chaga business. Individuals of the same family unit may not enter into or have an interest in more than one Chaga Business. A "family unit" is defined as spouses and dependent children living at or doing business at the same address.

In order to maintain the integrity of the Chaga Marketing and Compensation Plan, husbands and wives or common-law couples (collectively "spouses") who wish to become Chaga Members must be jointly sponsored as one Chaga business. Spouses, regardless of whether one or both are signatories to the Member Application and Agreement, may not own or operate any other Chaga business, either individually or jointly, nor may they participate directly or indirectly (as a shareholder, partner, trustee, trust beneficiary, or any other legal or equitable ownership) in the ownership or management of another Chaga business in any form.

4.23 - Actions of Household Members or Affiliated Individuals

If any member of a Member's immediate household engages in any activity, which, if performed by the Member, would violate any provision of the Agreement, such activity will be deemed a violation by the Member and Chaga may take disciplinary action pursuant to the Statement of Policies against the Member. Similarly, if any individual associated in any way with a corporation, partnership, trust or other entity (collectively "affiliated individual") violates the Agreement, such action(s) will be deemed a violation by the entity, and Chaga may take disciplinary action against the entity.

4.24 - Compression

When a vacancy occurs in a Marketing Organization due to the termination of a Chaga business, each Member in the first level immediately below the terminated Member on the date of the cancellation will compress up to the first level ("front line") of the terminated Member's sponsor in the Unilevel component to the compensation plan. For example, if A sponsors B, and B sponsors C1, C2, and C3, if B terminates her business, C1, C2, and C3 will compress up to A and become part of A's first level in the Unilevel component of the compensation plan. There is, however, no compression in the Binary component of the compensation plan. The position in the binary that is vacated upon the termination of a Chaga business will be filled with a new Member.

4.25 - Sale, Transfer or Assignment of Chaga Business

Although a Chaga business is a privately owned, independently operated business, the sale, transfer or assignment of a Chaga business is subject to certain limitations. If a Member wishes to sell his or her Chaga business, the following criteria must be met:

- 4.25.1** - Protection of the existing line of sponsorship must always be maintained so that the Chaga business continues to be operated in that line of sponsorship.
- 4.25.2** - The buyer or transferee must become a qualified Chaga Member. If the buyer is an active Chaga Member, he or she must first terminate his or her Chaga business and wait six calendar months before acquiring any interest in the new Chaga business.
- 4.25.3** - Before the sale, transfer or assignment can be finalized and approved by Chaga, any debt obligations the selling Member has with Chaga must be satisfied.
- 4.25.4** - The selling Member must be in good standing and not in violation of any of the terms of the Agreement in order to be eligible to sell, transfer or assign a Chaga business.

Prior to selling a Chaga business, the selling Member must notify Chaga's Member Services Department of his or her intent to sell the Chaga business. No changes in line of sponsorship can result from the sale or transfer of a Chaga business.

4.26 - Separation of a Chaga Business

Chaga Members sometimes operate their Chaga businesses as husband-wife partnerships, regular partnerships, corporations, or trusts. At such time as a marriage may end in divorce or a corporation, partnership or trust (the latter three entities are collectively referred to herein as "entities") may dissolve, arrangements must be made to assure that any separation or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other Members and the Company in a timely fashion, Chaga will involuntarily terminate the subject Member Agreement.

During the divorce or entity dissolution process, the parties must adopt one of the following methods of operation:

- 4.26.1** - One of the parties may, with consent of the other(s), operate the Chaga business pursuant to an assignment in writing whereby the relinquishing

spouse, shareholders, partners or trustees authorize Chaga to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.

4.26.2 - The parties may continue to operate the Chaga business jointly on a "business-as-usual" basis, whereupon all compensation paid by Chaga will be paid according to the status quo as it existed prior to the divorce filing, dissolution proceedings or Decree. This is the default procedure if the parties do not agree on the format set forth above.

Under no circumstances will the Downline Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will Chaga split commission and bonus checks between divorcing spouses or members of dissolving entities. Chaga will recognize only one Downline Organization and will issue only one commission check per Chaga business per commission cycle. Commission checks shall always be issued to the same individual or entity. In the event that parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the business in a timely fashion as determined by the Company, the Member Agreement shall be involuntarily canceled.

If a former spouse has completely relinquished all rights in the original Chaga business pursuant to a divorce, he or she is thereafter free to enroll under any sponsor of his or her choosing without waiting six calendar months. In the case of business entity dissolutions, the former partner, shareholder, member, or other entity affiliate who retains no interest in the business must wait six calendar months from the date of the final dissolution before re-enrolling as a Member. In either case however, the former spouse or business affiliate shall have no rights to any Members in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new Member.

4.27 - Sponsoring

All active Members in good standing have the right to sponsor and enroll others into Chaga. Each prospective Customer or Member has the ultimate right to choose his or her own Sponsor. If two Members claim to be the Sponsor of the same new Member or Customer, the Company shall regard the first application completed and received by the Company as controlling.

4.28 - Succession

Upon the death or incapacitation of a Member, his or her business may be passed to his or her heirs. Appropriate legal documentation must be submitted to the Company to ensure the transfer is proper. Accordingly, a Member should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a Chaga business is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses and commissions of the deceased Member's marketing organization provided the following qualifications are met. The successor(s) must:

- Execute a Member Agreement;
- Comply with terms and provisions of the Agreement; and
- Meet all of the qualifications for the deceased Member's status.
- Bonus and commission checks of a Chaga business transferred pursuant to this section will be paid in a single check jointly to the devisees. The devisees must provide Chaga with an "address of record" to which all bonus and commission checks will be sent;
- If the business is bequeathed to joint devisees, they must form a business entity and acquire a federal taxpayer Identification number. Chaga will issue all bonus and commission checks and one 1099 to the business entity.

4.28.1 - Transfer Upon Death of a Member

To effect a testamentary transfer of a Chaga business, the successor must provide the following to Chaga: (1) an original death certificate; (2) a notarized copy of the will or other

instrument establishing the successor's right to the Chaga business; and (3) a completed and executed Member Agreement.

4.28.2 - Transfer Upon Incapacitation of a Member

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

4.29 - Telemarketing Techniques

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have "do not call" regulations as part of their telemarketing laws. Although Chaga does not consider Members to be "telemarketers" in the traditional sense of the word, these government regulations broadly define the term "telemarketer" and "telemarketing" so that your inadvertent action of calling someone whose telephone number is listed on the federal "do not call" registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties (up to \$11,000.00 per violation).

Therefore, Members must not engage in telemarketing in the operation of their Chaga businesses. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Chaga product or service, or to recruit them for the Chaga opportunity. "Cold calls" made to prospective customers or Members that promote either Chaga's products or services or the Chaga opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a prospective customer or Member (a "prospect") is permissible under the following situations:

- 4.29.1** - If the Member has an established business relationship with the prospect. An "established business relationship" is a relationship between a Member and a prospect based on the prospect's purchase, rental, or lease of goods or services from the Member, or a financial transaction between the prospect and the Member, within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect's purchase of a product or service.
- 4.29.2** - The prospect's personal inquiry or application regarding a product or service offered by the Member, within the three (3) months immediately preceding the date of such a call.
- 4.29.3** - If the Member receives written and signed permission from the prospect authorizing the Member to call. The authorization must specify the telephone number(s) which the Member is authorized to call.
- 4.29.4** - You may call family members, personal friends, and acquaintances. An "acquaintance" is someone with whom you have at least a recent first-hand relationship within the preceding three months. Bear in mind, however, that if you make a habit of "card collecting" with everyone you meet and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if you engage in calling "acquaintances," you must make such calls on an occasional basis only and not make this a routine practice.
- 4.29.5** - In addition, Members shall not use automatic telephone dialing systems relative to the operation of their Chaga businesses. The term "automatic telephone dialing system" means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers.

SECTION 5 - RESPONSIBILITIES OF MEMBERS

5.1 - Change of Address, Telephone, and E-Mail Addresses

To ensure timely delivery of products, support materials, and commission checks, it is critically important that the Chaga's files are current. Street addresses are required for shipping since UPS cannot deliver to a post office box. Members planning to change their e-mail address or move must update their new address, telephone numbers or e-mail addresses through their Online Back Office Business Center. Chaga is not responsible for any Membership for which the Member has not provided accurate or updated information.

5.2 - Continuing Development Obligations

5.2.1 - Ongoing Training

Any Member who sponsors another Member into Chaga must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her Chaga business. Members must have ongoing contact and communication with the Members in their Downline Organizations. Examples of such contact and communication may include, but are not limited to: written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Members to Chaga meetings, training sessions, and other functions. Upline Members are also responsible to motivate and train new Members in Chaga product knowledge, effective sales techniques, the Chaga Marketing and Compensation Plan, and compliance with Company Policies. Communication with and the training of downline Members must not, however, violate Section 4.2 (regarding the development of Member-produced sales aids and promotional materials).

Members must monitor and report to the Company any Policy violations or questionable activities of the Members in their Downline Organizations to ensure that downline Members do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every Member should be able to provide documented evidence to Chaga of his or her ongoing fulfillment of the responsibilities of a Sponsor.

5.2.2 - Increased Training Responsibilities

As Members progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the Chaga marketing program. They will be called upon to share this knowledge with lesser experienced Members within their organization. Members may not charge other Members for product or business training without Company approval and endorsement.

5.2.3 - Ongoing Sales Responsibilities

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

5.3 - Nondisparagement

Chaga wants to provide its independent Members with the best products, compensation plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to the Member Services Department. Remember, to best serve you, we must hear from you! While Chaga welcomes constructive input, negative comments and remarks made in the field by Members about the Company, its products, or compensation plan serve no purpose other than to sour the enthusiasm of other Chaga Members. For this reason, and to set the proper example for their downline, Members must not disparage, demean, or make negative remarks about Chaga, other Chaga Members, Chaga's products, the Marketing and Compensation plan, or Chaga's directors, officers, or employees.

5.4 - Providing Documentation to Applicants

Members must provide the most current version of the Policies and the Compensation Plan to individuals whom they are sponsoring to become Members. New Members must agree to

the terms of the Application during the online enrollment process and may view or download the most current version of the Policies and the Compensation Plan on the Company's official website or during the enrollment process.

5.5 - Reporting Policy Violations

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

SECTION 6 - SALES REQUIREMENTS

6.1 - Product Sales

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

6.1.1 - Members must satisfy the Personal Sales Volume and Group Sales Volume requirements to fulfill the requirements associated with their rank as specified in the Chaga Marketing and Compensation Plan. "Personal Sales Volume" includes purchases made by the Member and purchases made by the Member's personal customers. Group Sales Volume shall include the total Sales Volume of all Members in his or her marketing organization, but may not include the Member's Personal Sales Volume.

6.1.2 - At least 70% of a Member's total monthly Personal Sales Volume must be consumed or sold to personal retail customers.

6.1.3 - Members must develop or service Customers as required within the Chaga Compensation Plan.

6.2 - No Territory Restrictions

There are no exclusive territories granted to anyone. No franchise fees are required.

SECTION 7 - BONUSES AND COMMISSIONS

7.1 - Bonus and Commission Qualifications

A Member must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Member complies with the terms of the Agreement, Chaga shall pay commissions to such Member in accordance with the Marketing and Compensation plan. The minimum amount for which Chaga will issue a check is \$10.00. If a Member's bonuses and commissions do not equal or exceed \$10.00, the Company will accrue the commissions and bonuses until they total \$10.00. A check will be issued once \$10.00 has been accrued.

7.2 - Adjustment to Bonuses and Commissions

7.2.1 - Adjustments for Returned Products

Members receive bonuses and commissions based on the actual sales of products and services to end consumers. When a product is returned to Chaga for a refund or is repurchased by the Company, either of the following may occur at the Company's discretion: (1) the bonuses and commissions 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 Members who received bonuses and

commissions on the sales of the refunded products; or (2) the Members who earned commissions based on the sale of the returned products will have the corresponding points deducted from their Group Volume in the next month and all subsequent months until it is completely recovered.

7.2.2 - Other Deductions

Other deductions to Member bonuses and commissions may be due to bonus or commission adjustments due to inaccuracies or over payments.

7.3 - Reports

All information provided by Chaga in online downline activity reports, including but not limited to personal and group sales volume (or any part thereof), and downline sponsoring activity is believed to be accurate and reliable. Nevertheless, due to various factors including but not limited to the inherent possibility of human and mechanical error; the accuracy, completeness, and timeliness of orders; denial of credit card and electronic check payments; returned products; credit card and electronic check charge-backs; the information is not guaranteed by Chaga or any persons creating or transmitting the information.

ALL PERSONAL AND GROUP SALES VOLUME INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESS OR IMPLIED, OR REPRESENTATIONS OF ANY KIND WHATSOEVER. IN PARTICULAR BUT WITHOUT LIMITATION THERE SHALL BE NO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, OR NON-INFRINGEMENT.

TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, CHAGA AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY MEMBER OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF OR ACCESS TO PERSONAL AND GROUP SALES VOLUME INFORMATION (INCLUDING BUT NOT LIMITED TO LOST PROFITS, BONUSES, OR COMMISSIONS, LOSS OF OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF CHAGA OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. TO THE FULLEST EXTENT PERMITTED BY LAW, CHAGA OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE NO RESPONSIBILITY OR LIABILITY TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY OR OTHER THEORY WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO.

Access to and use of Chaga' online reporting services and your reliance upon such information is at your own risk. All such information is provided to you "as is". If you are dissatisfied with the accuracy or quality of the information, your sole and exclusive remedy is to discontinue use of such information and Chaga's online reporting services and your reliance upon the information.

SECTION 8 - PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE

8.1 - Product Guarantee

Chaga offers a 100% thirty (30) day money-back satisfaction guarantee (less shipping charges) to all Customers. Any Member that wishes to return products may do so, however the return of products by a Member is considered as a request to cancel his/her Membership, and the return must be in accordance with Section 8.3 of the Polices.

8.2 - Returns by Retail Customers

Chaga offers, through its Members, a 100% thirty (30) day money-back guarantee to all retail customers. Every Member is bound to honor the retail customer guarantee. If, for any reason, a retail customer is dissatisfied with any Chaga product, the retail customer may return the unused portion of the product to the Member from whom it was purchased, within thirty (30) days, for a replacement, exchange or a full refund of the purchase price (including

shipping costs).

8.3 - Return of Inventory and Sales Aids by Members Upon Cancellation

Upon cancellation of a Member's Agreement, the Member may return any products and sales aids held in his or her inventory for a refund. Members may only return products and sales aids that he or she personally purchased from Chaga (purchases from other Members or third parties are not subject to refund) and which are in Resalable condition. Upon receipt of Resalable products and sales aids, the Member will be reimbursed 90% of the net cost of the original purchase price(s). Shipping charges incurred by a Member when the products or sales aids were purchased will not be refunded. If the purchases were made through a credit card, the refund will be credited back to the same account. If a Member was paid a commission based on a product(s) that he or she purchased, and such product(s) is subsequently returned for a refund, the commission that was paid based on that product purchase will be deducted from the amount of the refund.

8.3.1 - Montana Residents

A Montana resident may cancel his or her Member Agreement within 15 days from the date of enrollment, and will be issued a refund of any Membership fees paid.

8.4 - Procedures for All Returns

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

8.4.1 - All merchandise must be returned by the Member or customer who purchased it directly from Chaga.

8.4.2 - All products to be returned must have a Return Authorization Number which is obtained by contacting the Member Services Department. This Return Authorization Number must be written on each carton returned.

8.4.3 - The return is accompanied by:

8.4.3.1 - a completed and signed Return Form;

8.4.3.2 - a copy of the original dated retail sales receipt or invoice (if applicable); and

8.4.3.3 - the unused portion of the product in its original container.

8.4.4 - Proper shipping carton(s) and packing materials are to be used in packaging the product(s) being returned for replacement, and the best and most economical means of shipping is suggested. All returns must be shipped to Chaga shipping pre-paid, to the address listed on the official Company website. Chaga does not accept shipping-collect packages. The risk of loss in shipping for returned product shall be on the Member. If returned product is not received by the Company's Distribution Center, it is the responsibility of the Member to trace the shipment.

8.4.5 - If a Member is returning merchandise to Chaga that was returned to him or her by a personal retail customer, the product must be received by Chaga within ten (10) days from the date on which the retail customer returned the merchandise to the Member, and must be accompanied by the sales receipt the Member gave to the customer at the time of the sale.

No refund or replacement of product will be made if the conditions of these rules are not met.

SECTION 9 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

9.1 - Disciplinary Sanctions

Violation of the Agreement, these Policies, violation of any common law duty, including but not limited to any applicable duty of loyalty, any illegal, fraudulent, deceptive or unethical business conduct, or any act or omission by a Member that, in the sole discretion of the Company may damage its reputation or goodwill (such damaging act or omission need not be related to the Member's Chaga business), may result, at Chaga's discretion, in one or more of

the following corrective measures:

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

9.2 - Grievances and Complaints

When a Member has a grievance or complaint with another Member regarding any practice or conduct in relationship to their respective Chaga businesses, the complaining Member 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 involves interpretation or violation of Company policy, it must be reported in writing to the Member Services Department at the Company. The Member Services Department will review the facts and attempt to resolve it.

9.3 - Mediation

Prior to instituting arbitration, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement through non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as mediator. The mediator's fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally between the parties. Each party shall pay its portion of the anticipated shared fees and costs at least 10 days in advance of the mediation. Each party shall pay its own attorneys fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in the City of Las Vegas, Nevada and shall last no more than two business days.

9.4 - Arbitration

If mediation is unsuccessful, **any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.** Members waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in the City of Las Vegas, Nevada (Clark County). All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a strong preference being an attorney knowledgeable in the direct selling industry, selected from the panel which the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

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

9.5 - Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in Clark County, State of Nevada. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of Nevada shall govern all other matters relating to or arising from the Agreement. Notwithstanding the foregoing, and the arbitration provision in Section 9.4, residents of the State of Louisiana shall be entitled to bring an action against Chaga in their home forum and pursuant to Louisiana law.

SECTION 10 - PAYMENT AND SHIPPING

10.1 - Returned Checks

Chaga does not currently accept checks. However, in the event Chaga accepts checks in the future, all checks returned by a Member's bank for insufficient funds will be re-submitted for payment and a \$25.00 returned check fee will be charged to the account of the Member. After receiving a returned check from a customer or a Member, ***all future orders must be paid by Credit Card, money order or cashier's check. Any outstanding balance owed to Chaga by a Member for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.***

10.2 - Restrictions on Third Party Use of Credit Cards and Checking Account Access

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

10.3 - Sales Taxes

In designing the Chaga opportunity, one of our guiding philosophies has been to free Members from as many administrative, operational, and logistical tasks as possible. In doing so, Members are free to concentrate on those activities that directly affect their incomes, namely product sales and enrollment activities. To these ends, Chaga relieves Members of the burdens of collecting and remitting sales taxes, filing sales tax reports, and keeping records relative to sales taxes.

By virtue of its business operations, Chaga is required to charge sales taxes on all purchases made by Members and Customers, and remit the taxes charged to the respective states. Accordingly, Chaga will collect and remit sales taxes on behalf of Members, based on the suggested retail price of the products, according to applicable tax rates in the state or province to which the shipment is destined. If a Member has submitted, and Chaga 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 Member. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by Chaga is not retroactive.

SECTION 11 - INACTIVITY AND CANCELLATION

11.1 - Effect of Cancellation

So long as a Member remains active and complies with the terms of the Membership Agreement and these Policies, Chaga shall pay commissions to such Member in accordance

with the Marketing and Compensation Plan. A Member's bonuses and commissions constitute the entire consideration for the Member's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following a Member's non-renewal of his or her Member Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Member Agreement (all of these methods are collectively referred to as "cancellation"), the former Member shall have no right, title, claim or interest to the marketing organization which he or she operated, or any commission or bonus from the sales generated by the organization. **A Member whose business is cancelled will lose all rights as a Member. This includes the right to sell Chaga products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Member's former downline sales organization. In the event of cancellation, Members agree to waive all rights they may have, including but not limited to property rights, to their former downline organization and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former downline organization.**

Following a Member's cancellation of his or her Member Agreement, the former Member shall not hold himself or herself out as a Chaga Member and shall not have the right to sell Chaga products or services. A Member whose Member Agreement is canceled shall receive commissions and bonuses only for the last full pay period he or she was active prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

11.2 - Cancellation Due to Inactivity

If a Member has not earned a commission for six consecutive months (and thus become "inactive"), his or her Member Agreement shall be canceled for inactivity.

11.3 - Involuntary Cancellation

A Member's violation of any of the terms of the Agreement, including any amendments that may be made by Chaga in its sole discretion, may result in any of the sanctions listed in Section 9.1, including the involuntary cancellation of his or her Membership Agreement. Cancellation shall be effective on the date on which written notice is mailed, faxed, or delivered to an express courier, to the Member's last known address (or fax number), or to his/her attorney, or when the Member receives actual notice of cancellation, whichever occurs first.

Chaga reserves the right to terminate all Member Agreements upon thirty (30) days written notice in the event that it elects to: (1) cease business operations; (2) dissolve as a corporate entity; or (3) terminate distribution of its products via direct selling.

11.4 - Voluntary Cancellation

A participant in this network marketing plan has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the Member's signature, printed name, address, and Member I.D. Number.

11.5 - Non-renewal

A Member may also voluntarily cancel his or her Member Agreement by failing to renew the Agreement on its anniversary date. The Company may also elect not to renew a Member's Agreement upon its anniversary date.

SECTION 12 - DEFINITIONS

Active Customer — A Customer who purchases Chaga products directly from a Member or through the Member's replicated website.

Active Member — A Member who satisfies the minimum Personal Sales Volume requirements, as set forth in the Chaga Marketing and Compensation Plan, to ensure that he or she is eligible to receive bonuses and commissions.

Active Rank — The term “active rank” refers to the current rank of a Member, as determined by the Chaga Marketing and Compensation Plan, for any month. To be considered “active” relative to a particular rank, a Member must meet the criteria set forth in the Chaga Marketing and Compensation Plan for his or her respective rank. *(See the definition of “Rank” below.)*

Agreement - The contract between the Company and each Member includes the Membership Application and Agreement, the Chaga Policies, and the Chaga Marketing and Compensation Plan, all in their current form and as amended by Chaga in its sole discretion. These documents are collectively referred to as the “Agreement.”

Cancel — The termination of a Member’s business and Membership. Cancellation may be either voluntary, involuntary, through non-renewal or inactivity.

Compression — The method by which a vacancy in the unilevel component of a Marketing Organization left by a Member whose Member Agreement has been canceled is filled. There is no compression in the binary.

Genealogy Report — A monthly report generated by Chaga that provides critical data relating to the identities of Members, Customers, sales information, and enrollment activity of each Member’s Marketing Organization. This report contains confidential and trade secret information which is proprietary to Chaga.

Downline Leg — Each one of the individuals enrolled immediately underneath you and their respective marketing organizations represents one “leg” in your marketing organization.

Group Sales Volume — The commissionable value of Chaga products or services sold by a Member’s Marketing Organization in the Unilevel component and the Binary component to the compensation plan. Group Sales Volume details and requirements are explained in the Compensation Plan and may not include the Personal Sales Volume of the subject Member. (Membership fees and sales aids have no Sales Volume.)

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

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

Marketing Organization — The Customers and Members sponsored below a particular Member.

Official Chaga Material — Literature, webpages, audio or video tapes, and other materials developed, printed, published and distributed by Chaga to Members.

Personal Sales Volume (PSV) — The commissionable value of services and products sold in a calendar month: (1) by the Company to a Member; and (2) by the Company to the Member’s Customers.

Rank — The “title” that a Member has achieved pursuant to the Chaga Marketing and Compensation Plan.

Recruit — For purposes of Chaga’s Conflict of Interest Policy (Section 4.9), the term “Recruit” means:

(a) the actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another Chaga Member or Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity; and

(b) The conduct described in (a) above constitutes recruiting even if the Member's actions are in response to an inquiry made by another Member, Direct or Preferred Customer. This subsection (b) shall not be applicable in California.

Resalable — Products and Sales aids shall be deemed "resalable" 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 Chaga within one year from the date of purchase; 5) the product contains current Chaga labeling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resalable.

Retail Customer — An individual who purchases Chaga products from a Member but who is not a participant in the Chaga compensation plan.

Sponsor — A Member who enrolls a Customer or another Member into the Company, and is listed as the Sponsor on the Member Application and Agreement. The act of enrolling others and training them to become Members is called "sponsoring."

Upline — This term refers to the Member or Members above a particular Member in a sponsorship line up to the Company. Conversely stated, it is the line of sponsors that links any particular Member to the Company.