AquaBioVida

Version 1.7
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Compensation Plan Control Document

AquaBioVida
Version 1.7

CONFIDENTIAL
ByDesign Technologies, Inc.

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A) Introduction

This is a technical control document to be used by ByDesign Technologies, (ByDesign) to develop the customized Bonus programs that will comprise the Commission system for AquaBioVida (the Company). This control document was developed from the Company's compensation plan, which is here defined as the details, as provided by the Company, of how the Commission of the Company's sales representatives will be determined on their own and downstream sales revenue.

This control document is not intended to be used for marketing purposes and should not be distributed as such. The terminology used in this document may be specific to ByDesign's internal processes; however, where possible, standard industry terminology is used.

This document is laid out in a relaxed logical programming sequence. Where possible, lists are alphabetized.

The Company should always discuss any proposed Bonus parameter changes or Bonus programming changes with ByDesign Technologies before making the changes. Some changes could have a major impact on the overall system functionality.

Though all information contained within this document is important, some notes are aimed directly at specific parties. There are three different note types: **General Notes** are to provide further information to assist in understanding that specific rule, definition, or item and will be useful to both the Company and the ByDesign Technical Team. **Company Notes** are directed to the Company with tips, clarifications, and rules that are important for the Company specifically to understand and be aware of. **Programming Notes** are for use by the ByDesign Technical Team and refer to programming-specific tips, rules and clarifications and can generally be disregarded by the Company.

__Notes__ will be characterized by grey highlighting and italicized font and the note type will be indicated by the directives General, Company or Programming.

B)   Table of Contents

C) Summary of Version Changes

Changes will be tracked from version to version and indicated throughout the document through the use of Microsoft Word's tracking and comparison features. This section is to be used solely to assist in reviewing what changes were made in each revision and is not intended to be used by the ByDesign Technical Team to determine what changes are to be coded.

V1.1
- Initial Comp Plan

V1.2
- Added Recruitment bonus
- Added Enrollment Item Inventory Attribute

V1.3
- Added Recruitment Bonus
- Updated Perpetual Bonus

V1.4
- Updated Retail Profit percentages
- Updated Direct Sales Bonus percentages
- Added Water Analyst Trained Bonus
- Added boosted amount to Milestone Achievement Bonus

V1.5
- Added installment attributes for installment payments
- Updated Active to include the installment attribute

V1.6
- Added Monthly Subscription Payment Inventory attribute
- Added Membership Fee Bonus

V1.7
- Removed Monthly Subscription Payment Inventory attribute
- Removed Membership Fee Bonus

D) Definitions

The following section defines terms used in this document:

I. Terminology

1) <u>Active AutoShip Profile:</u>
An Active AutoShip Profile is any AutoShip Profile that is not cancelled, does not have an End Profile Date less than the Bonus Period End Date and has active items with volume.

2) <u>AutoShip Order:</u>
An AutoShip Order is any order that is generated from an AutoShip Profile.

3) <u>Bonus Period:</u>
The Company defines the start and end date for each period that Bonus will be paid to Reps. This is also referred to as Commission Period or Pay Period.

4) <u>Bonus Rank (Paid As Rank):</u>
A Rep's Bonus Rank is recalculated each Commission period. It is the Rank used to determine qualifications for Commissions. Bonus Rank can be overridden through the use of a Force Rank (see Force Rank definition), which will effectively Force a Rep to qualify to be paid at a specific Rank, regardless of actual qualifications. Bonus Rank is also called Paid As Rank.

5) <u>Breakage:</u>
Breakage is any Bonus or Commission that is left unpaid due to the failure of a Rep to qualify for that type of Bonus or Commission.

6) <u>Business Center (BC):</u>
Business Centers, sometimes termed Income Centers, are additional positions in the Unilevel Genealogy that are directly tied to a Rep's account. A Business Center allows a Rep to have more than one position within the Genealogy without requiring the Rep to track additional Rep IDs or maintain multiple Extranets to manage their business. Reps are able to access information about each of their Business Centers through a single Extranet portal. Business Centers may earn on bonuses. If Business Centers are used, the rules, qualifications and requirements to earn and maintain Business Centers will be defined within a dedicated Business Center Rules section and/or each individual Bonus type within this document. In this plan, Business Centers are **not** used; a Rep may have only one position or Business Center in the Unilevel Genealogy.

General Note: If Business Center functionality is implemented at a later date, changes in qualifications and earnings rules will need to be defined for this plan.

7) <u>Cancelled/Terminated:</u>
Any Rep with a Lifetime Rank of Cancelled or a Placement and/or Sponsorship under Rep ID 5 (Terminate Tree) is considered Cancelled. By system default, Cancelled Reps cannot qualify for Commissions, count towards Upline qualifications, maintain qualifications or earn Commissions in and/or during the period in which they are Cancelled. If a Rep is not Cancelled for the full length of a period, but their

Lifetime Rank and or Placement/Sponsorship is changed prior to running Commissions for that period so the ending result is the Rep being Cancelled, they will be considered as having been Cancelled for the entire duration of the period. The same can be said for a Rep who is reinstated, and their Cancelled status is changed prior to running Commissions so the ending result is the Rep is *not* Cancelled; that Reps will be considered as having not been Cancelled for the entire duration of the period.

8) Clawback:
Clawback is the ability to recapture Commissions paid on an order when that order is returned. Not all Commissions are eligible to be clawed back. When an order is returned, the dollar amount paid to a distributor (or distributors) on that purchase is subtracted from the earning Rep's Bonus payout the next time Commissions are processed.

> Example #1:
> Rep #101 has a Customer, Customer #2001 who places an order, Order #3. When Commissions are processed, Rep #101 earns $15 on Customer #2001's Order #3. In the following period, Customer #2001 returns Order #3. When Commissions are processed for that period, the $15 that was paid to Rep #101 on Customer #2001's Order #3 will be clawed back and subtracted from Rep #101's period earnings.

9) Compression:
For Commission purposes only, when a Rep is not eligible (due to Cancelled status or failure to meet payout requirements) for Commissions payout, that Rep's Downline is compressed upwards, effectively removing that Rep from Commissions consideration. This is only done for Commissions purposes and does not affect the normal Genealogy.

When Compression is applied, payouts roll over Unqualified and/or Ineligible Reps depending on the type of Compression used. **Ineligible** (see Eligible definition) refers to a Rep who has failed to meet the qualifications to simply earn the Bonus. **Unqualified** (see Qualified definition) refers to a Rep who meets the qualifications to simply earn the Bonus **but** has failed to meet the requirements to earn on a specific level, Generation or additional requirement depending on the Bonus used. There are two (2) methods of Compression: Dynamic Compression (see definition) and Standard Compression (see definition).

Dynamic Compression is used when a payout rolls over Unqualified **and/or** Ineligible Reps. It is sometimes used in bonuses that use a table to define the different payouts per Rank, level, Generation or additional requirement. When Dynamic Compression is applied the payout rolls to the next eligible **and** Qualified distributor.

Standard Compression is used when a payout rolls over Ineligible Reps **only**. The payout rolls Upline until the next eligible Rep is found. If that Rep is Qualified to earn, the payout pays to that Rep. If the next eligible Rep is Unqualified, the payout is considered Breakage.

If either of these methods is used in a Bonus type within this document, the exact rules will be further detailed within that Bonus type.
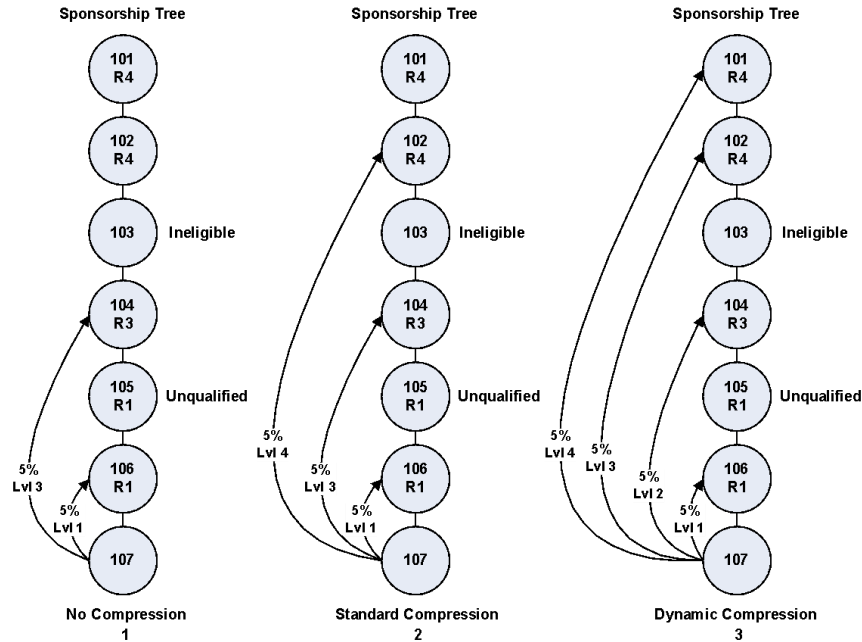
Figure 1:   Compression

Example #2:

Note: This example will not reflect the Company's actual Rank requirements or bonuses.

Ineligible = Rep does not meet the Bonus requirements
Unqualified = Rep does meet the Bonus requirements but does not meet the requirements to earn on the level

Assuming comp plan pays out 4 levels for simplicity purposes:

1) No Compression:
   a. **Both Ineligible and Unqualified Reps do not compress.**
   b. (Example above) Rep #106 earns level 1. Rep #105 is Unqualified to earn level 2 (assuming Rank 1 only earns Lvl1) and the level 2 payout is Breakage. Rep #105 does **not** compress. Rep #104 is Paid As Rank 3 (assuming Rank 3 is eligible to earn 3 levels) and earns level 3 payout. Rep #103 is Inactive, and the level 4 payout is considered as Breakage to the Company. Rep #103 does **not** compress.

2) Standard Compression
   a. **Ineligible Reps compress and Unqualified Reps do not compress. This method allows partial Breakage.**
   b. (Example above) Rep #106 earns level 1. Rep #105 is Unqualified to earn level 2 (assuming Rank 1 only earns Lvl1) and the level 2 payout is Breakage. Rep #105 does not compress. Rep #104 is Paid As Rank 3 (assuming Rank 3 is eligible to earn 3 levels) and earns level 3 payout. Rep #103 is Inactive, and the level 4 payout will compress (rollup) to Rep #102 who is a Paid As Rank 4 (assuming Rank 4 is eligible to earn 4 levels).

3) Dynamic Compression
   a. **Both Inactive Reps and Unqualified Reps compress. This method minimizes Breakage as it guarantees maximum payout.**
   b. (Example above) Rep #106 earns level 1. Rep #105 is Unqualified to earn level 2 (assuming Rank 1 only earns Lvl1) and level 2 will compress (rollup). Rep #105 will compress. Rep #104 is Paid As Rank 3 (assuming Rank 3 is eligible to earn 3 levels) and earns level 2 payout. Rep #103 is Inactive, and the level 3 payout will compress (rollup) to Rep #102 who is a Paid As Rank 4 (assuming Rank 4 is eligible to earn 4 levels). Rep #101 is a Paid As Rank 4 and earns level 4.

10) Credits:

Credits are a payment feature of the Freedom System that, among other things, allows reps to be paid commissions in the form of credits that a rep is able to use to purchase product from the shopping cart. Credits are a virtual payment type, meaning the rep does not receive a physical payment. Rather, the Credits are applied to the rep's account, and they are able to use those credits in the shopping cart in lieu of a credit card or other payment form. The ability to use Credits in the shopping cart is made available through the application of a Freedom Setting. If this setting is not turned on, Credits will simply be stored on a rep's account and cannot be used to purchase product in the shopping cart. The full functionality of Credits and their use within the system is beyond the scope of this document. They are mentioned as the Company pays two Bonus Types in Credits (see Bonus Types).

Programming Note: *When a payout process is committed that pays out in Credits, any credits applied to rep accounts should be deleted if that payout process is deleted.*

11) Customer (Retail Customer):

A Customer is associated with a Rep. However, a Customer cannot sign-up other Reps and cannot receive Commissions. A Customer is not placed in any Genealogy and is considered to be on the same level as the Rep (i.e., Customer is on Level 0 to a Rep). This is also referred to as Retail Customer.

Company Note: *Customer Types can be renamed by a Freedom user with Administrative rights.*

12) Eligible:

Eligible refers to a Rep who meets the minimum qualifications to earn a Bonus. The specific rules and qualifications to earn are stated under each Bonus (see Bonus Types). A Bonus may have additional requirements to earn higher payout. However, the additional requirements do not make the Rep Ineligible. Simply, when a Rep meets the minimum qualifications to earn a Bonus, he or she is considered eligible. Eligible is also used for Compression (see definition).

> **Example #3:**
> *Note: The main purpose of this example is to describe how Eligible works. For simplicity purposes of this example only, the exact Bonus requirements or names may not be in accordance with the bonuses used in this plan (see Bonus types).*
>
> Bonus ABC requires a Rep to have at least a Paid As Rank of Rank 2 to earn. During the period, Rep #101 is a Paid As Rank 2 and is considered eligible to earn Bonus ABC. However, Rep #202 is a Paid As Rank 1 in the period and is considered Ineligible to earn Bonus ABC.
>
> Bonus XYZ requires a Rep to be Active to earn. During the period, Rep #101 is Active and is considered eligible to earn Bonus XYZ. However, Rep #202 is not Active in the period and is considered Ineligible to earn Bonus XYZ.

13) Force Rank:

A Rep's Paid As Rank may be overridden through the application of a Force Rank. A Rep's Force Rank may be set from the Secure Rep Data Page of a Rep's account. Force Ranks do **not** help the Upline qualify for Commissions. It helps the Rep that has been Forced. Force Ranks effectively Force a Rep to be paid at a specific Rank, regardless of actual qualifications but will override the Rep's true Bonus Rank only if the Force Rank is a higher Rank. Reps cannot be Forced to a lesser Rank than the Rank for which they naturally qualify (i.e., a Reps cannot be Forced to a Rank below

his or her Organic Rank). Force Ranks will not allow a Rep to progress to higher Ranks unless that Rep naturally qualifies for higher Ranks. Specifically, a Rep must naturally meet the requirements for lesser Ranks to progress to higher Ranks; therefore, a Rep who is Force Ranked and does not naturally meet the qualifications for lesser Ranks will not progress to higher Ranks as a result of the Force Rank.

Example #4:
Note: this example will not reflect the Company's actual Rank requirements.
To naturally qualify for Rank 3, a Rep must meet the requirements for Rank 2 and must have 300 PV-Q.
To qualify for Rank 2 a Rep must have 1 personally sponsored Rep and 100 PV-Q. Rep #101 is Force Ranked to Rank 2. He has 300 PV-Q. He does not have a personally sponsored Rep, which is required to naturally achieve Rank 2. He is Force Ranked to Rank 2 and will be Paid As a Rank 2, but because he does not naturally meet the qualifications for Rank 2, he will not progress to Rank 3. He will only become a Paid As Rank 3 if his Force Rank is set to Rank 3, or he achieves a personally sponsored Rep and maintains 300 PV-Q.

When Bonus is processed, a Force Ranked Rep's Lifetime Rank will be updated if their current Lifetime Rank is less than the Rank at which they are Forced. A Force Rank Expiration Date can be set from the Secure Rep Data Page. If an Expiration Date is not set, the system will apply the Force for all Commission periods processed until the Force is manually removed. The Force Rank Expiration Date will only apply for periods in which the Bonus Period End Date falls *after* the Force Rank Expiration Date.

Example #5:
Note: this example will not reflect the Company's actual Rank requirements.
The Bonus Period start date is 9/1. The Bonus Period end date is 9/30. Rep #101 is Force ranked as a Rank 2 with a Force Rank expiration date of 9/30. Rep #102 is Force ranked as a Rank 2 with a Force Rank expiration date of 10/1. When the 9/1 – 9/30 period is processed, Rep #101 and 102 both qualify as Paid As Rank 1s, but because their Force Rank expiration dates do not occur prior to the Bonus Period end date, they will both be Paid As Rank 2.

Example #6:
Note: this example will not reflect the Company's actual Rank requirements.
The Bonus Period start date is 9/1. The Bonus Period end date is 9/30. Rep #101 is Force ranked as a Rank 2 with a Force Rank expiration date of 9/29. When the 9/1 – 9/30 Period is processed, Rep #101 qualifies as a Rank 1, and is Paid As a Rank 1 because his Force Rank expired on 9/29.

14) Lifetime Rank (Career Title):
A Rep's Lifetime Rank is the highest Rank achieved by that Rep in Lifetime or since their last demotion. This Rank may be demoted or promoted manually from an individual Rep's page through the Change Rank option from the local Administration Menu. The Lifetime Rank mainly affects the Rep's Inventory Pricing, though it can also have an impact on Paid As Rank maintenance, Commissions and/or volumes. It is also the display Rank for the majority of Extranet reports. A Rep's Lifetime Rank is not updated until a Commission period is Committed (made official). Lifetime Ranks will revert to their pre-Bonus commit Rank if a committed Bonus Period is deleted.

Example #7:
Note: this example will not reflect the Company's actual Ranks.

Rep #101's Lifetime Rank is Rank 1. The current Bonus Period is 1/1 – 1/31. Rep #101 qualifies to be Paid As a Rank 2. In the 1/1 – 1/31 period, Rep #101 will have a Paid As Rank of Rank 2 and a Lifetime Rank of Rank 1. When the 1/1-1/31 period is committed, Rep #101's Lifetime Rank will be updated to Rank 2. For the 2/1 – 2/28 period, Rep #101 will have a Lifetime Rank of Rank 2 (unless that Rank is manually adjusted).

15) Organic Rank (True Rank/Natural Rank):

A Rep's Organic Rank is the Bonus Rank at which he or she naturally qualifies, regardless of any Force Rank in application. If a Rep has a Force Rank applied but their True Rank is higher than that at which they are Forced, the Rep's Organic Rank will take precedence over the Force Rank.

16) Paid As Rank:

See Bonus Rank definition.

17) Pay On Rep:

The Pay On Rep is the Rep whose orders and/or Volume generated a payout to another Rep. It is the Rep, whose activity within the Bonus Period, results in a Commission or Bonus payout.

18) Pay To Rep:

The Pay To Rep is the Rep who is earning on another Rep's orders or Volume within the period. It is the earning Rep who is paid a Commission or Bonus based on another Rep's actions within the Bonus Period.

19) Qualified:

Qualified refers to a Rep who not only meets the minimum qualifications to earn a Bonus (Eligible) but also meets the additional requirements to earn a higher payout or deeper level on a Bonus depending on the Bonus rules. The specific rules and qualifications to earn are stated under each Bonus (see Bonus Types). Qualified is also used for Compression (see definition).

> **Example #8:**
>
> *Note: The main purpose of this example is to describe how Qualified works. For simplicity purposes of this example only, the exact Bonus requirements or names may not be in accordance with the bonuses used in this plan (see Bonus types).*
>
> Bonus ABC requires a Rep to have at least a Paid As Rank of Rank 2 to earn level 1. However, Paid As Rank 3 or higher can also earn on level 2.
>
> During the period, Rep #101 is a Paid As Rank 3 and is considered eligible to earn Bonus ABC. Rep #101 is also Qualified to earn levels 1 and 2.
>
> Also in the period, Rep #202 is a Paid As Rank 2 and is considered eligible to earn Bonus ABC. Rep #202 is Qualified to earn level 1. However, Rep #202 is Unqualified to earn level 2 since a Rep must be Paid As Rank 3 or higher to earn level 2.

20) Qualification Period:

The Company defines the Bonus Qualification Period, which can be different from the payout period. This period defines the timeframe in which the Rep needs to qualify in order to earn Commissions for the respective Commission period.

21) Rank:

The Title a Rep achieves by selling product or building an organization. Ranks are met by achieving a specific set of qualifications within a given timeframe (see Lifetime Rank, Bonus Rank, Organic Rank and Force Rank).

22) Rep:

A person that has filled out the Company application and is in any Genealogy is referred to as a Rep in this document. The Company also refers to this as Consultant.

23) Rep Types:

Reps are broken down into three types, Health Agents (HA), Water Analyst (WA), and Health Consultant (HC). All reps enter the system as Health Agents and promote through the rankings if they meet certain qualifications. Water Analysts obtain their Rep type **manually**; the Rep Type of Water Analyst is not set automatically by the system. Reps with a Rep Type of Health Agent and Water Analyst are also limited in the Ranks they can achieve.

24) True Rank:

See Organic Rank definition.

II.   Organizations / Genealogies

1)   Downline:

This refers to the Rep or Reps below a Rep in any Genealogy.

2)   Genealogy:

This is the Company's overall organizational structure that indicates how and where Reps are placed. The Company supports a primary Unilevel Genealogy based on Placement (Placement Tree) and a secondary Unilevel Genealogy based on Sponsorship, also referred to in this document as Sponsorship Tree or Enrollment Tree.

Programming Note: *A secondary Placement Tree is used. The change links for the secondary Placement Tree needs to be available for the Company under Reps Page ☐Admin ☐Change Placement Tree Links.*
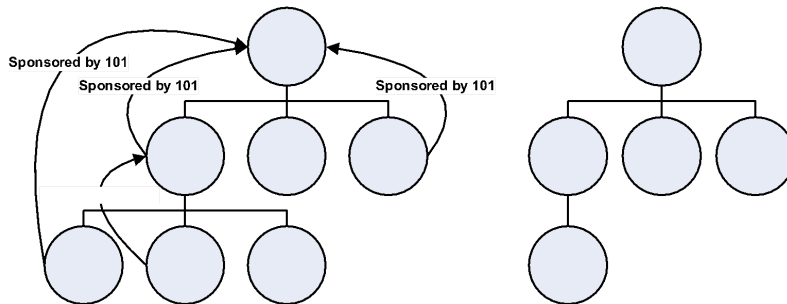

Figure 2:   Placement vs. Sponsorship

3)   Placement:

This refers to where a Rep is located within any Genealogy. It also refers to the Rep positioned immediately above a new or existing Rep. The system shows the Placement Relationship based on the Placement position between the two (2) Rep in any Genealogy.

4) Sponsor (Enroller):
A Sponsor is a Rep who personally brings in a new Rep and who first explains the AquaBioVida business opportunity. Sponsor is also the term referring to a Rep who personally brings in a Customer. A Rep or Customer personally brought into the business is called a Rep's personally sponsored or personally enrolled. The system also shows the Sponsor Relationship between two (2) Reps in the Unilevel Genealogy. In this document, *Sponsor* and *Enroller* have been used synonymously. Similarly, *Sponsored* and *Enrolled* have been used synonymously.

The Company supports only one (1) primary Unilevel Genealogy based on Sponsorship (see Genealogy definition).

5) Upline:
This refers to the Rep or Reps above a new or existing Rep in any Genealogy.

III.   Custom Customer Attributes

Customer Attributes allow for the creation of qualification overrides that can be applied to individual Customers. Customer Attributes also provide the ability to mark a Customer with unique flags that can be used to distinguish that Customer from others. Customer Attributes can be applied for a Customer on the following page: Customer's Back Office Page ▯Administration ▯Customer Attributes.

1) There are **no** Bonus-related Customer Attributes in use at this time.

IV.   Custom Rep Attributes

Rep Attributes allow for the creation of qualification overrides that can be applied to individual Reps or Business Centers. Rep Attributes also provide the ability to mark a Rep or Business Center with unique flags that can be used to distinguish that Rep or BC from others. Rep Attributes can be applied for a Rep on the following page: Rep's Back Office Page ▯Left Side Menu ▯Bonus ▯Administration ▯Attributes.

Example #9:
Note: This example may not reflect the Company's actual requirements.
A Waive Active Rep Attribute has been set up within Freedom. In order to be considered Active, Rep must have either 100 Volume or the Waive Active Rep Attribute applied to their account.

1) Force Unqualified Flag:
A Force Unqualified flag will be introduced on the Secure Rep Data page of Freedom. When checked, this flag will exempt a Rep from Commissions eligibility, regardless of that Rep's actual qualifications. This means that a Rep who has the Force Unqualified flag checked will not be considered for any and all Commissions payouts. The system will consider that Rep as being Cancelled without affecting that

Rep's ability to purchase product or enroll new Rep. This means the Rep will not qualify for Rank nor count towards Upline qualifications. This is most commonly used for corporate accounts at the top of the Genealogy and is not recommended for use on general Rep accounts.

__Company Note:__ This flag is controlled through the application of a Freedom Setting. This Flag will not be available unless the Freedom Setting has been activated. If this flag is not currently available in the system, please contact ByDesign to turn on the appropriate setting.

__Programming Note:__ Freedom Setting: EDITSECURED_FORCE_UNQUALIFIED_FLAG_SHOW. Keyword: Unqualified.

2) Waive Active Rep Attribute:

A Waive Active Rep Attribute will be introduced on the Rep Attribute page of Freedom. When applied, this Attribute will mark a Rep as Active for qualification purposes.

__Programming Note:__ Waive Active will have an Attribute Type of Boolean.

__General Note:__ The Waive Active Rep Attribute can only be applied manually by the Company through the BackOffice. Reps will __not__ have access to this attribute. The Company may or may not use this feature. It is provided to the Company for convenience and flexibility within the system.

3) Theoretical Training Complete Rep Attribute:

A Theoretical Training Complete Rep Attribute will be introduced on the Rep Attribute page of Freedom. When applied, this Attribute will mark a Rep as True for completing the Theoretical Training for qualification purposes.

__Programming Note:__ Theoretical Training Complete will have an Attribute Type of Boolean.

__General Note:__ The Theoretical Training Complete Rep Attribute can only be applied manually by the Company through the BackOffice. Reps will __not__ have access to this attribute. The Company may or may not use this feature. It is provided to the Company for convenience and flexibility within the system.

4) Five Presentations Rep Attribute:

A Five Presentations Rep Attribute will be introduced on the Rep Attribute page of Freedom. When applied, this Attribute will mark a Rep as True for completing the Five Presentations with a Mentor for qualification purposes.

__Programming Note:__ Five Presentations will have an Attribute Type of Boolean.

__General Note:__ The Five Presentations Rep Attribute can only be applied manually by the Company through the BackOffice. Reps will __not__ have access to this attribute. The Company may or may not use this feature. It is provided to the Company for convenience and flexibility within the system.

5) Platinum HA Date Rep Attribute:

A Platinum HA Date Rep Attribute will be introduced on the Rep Attribute page of Freedom. When applied, this Attribute will mark the date when a rep first achieves the Status of Platinum Health Agent.

__Programming Note:__ Platinum HA Date will have an Attribute Type of Date.

V.   Custom Inventory Attributes

Inventory Attributes allow for a specific inventory SKU to be flagged with a unique marker. Purchases of items with specific Inventory Attributes can be required for Commissionable or qualification purposes. Inventory Attributes can be applied to an inventory item on the following page: Inventory Item ☐Administration ☐Attribute Values.

Example #10:
Note: This example may not reflect the Company's actual requirements.
A Membership Fee Inventory Attribute has been set up within Freedom. In order to be considered Active, a Rep must purchase an item flagged with the Membership Fee attribute within the Qualification Period.

1) Enrollment Item Inventory Attribute:
An Enrollment Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Enrollment purchase requirements for qualification purposes.

2) Setup Fee Item Inventory Attribute:
A Setup Fee Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Setup Fee purchase requirements for qualification purposes.

3) Membership Fee Inventory Attribute:
A Membership Fee Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Membership Fee purchase requirements for qualification purposes.

4) Whole House System Inventory Attribute:
A Whole House System Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Whole House System purchase requirements for qualification purposes.

5) Pure Water and Air Inventory Attribute:
A Pure Water and Air Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Pure Water and Air purchase requirements for qualification purposes.

6) Installment Fee Inventory Attribute:
An Installment Fee Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Installment Fee purchase requirements for qualification purposes.

7) Monthly Subscription Payment Inventory Attribute:
A Monthly Subscription Payment Item Inventory Attribute will be introduced at the Inventory level of Freedom. Purchases of items with this Attribute applied will fulfill any Monthly Subscription Payment purchase requirements for qualification purposes

VI.   Custom Reports / System Processes

1) Nightly Process:

The Company currently has a nightly process that runs each evening sometime between 12:30AM and 3:30AM Eastern Standard Time. The nightly process runs steps 1 and 2 of Bonus each evening **only** using the Monthly Commission Period. The nightly process will calculate the Monthly Commission Period in which **today's** date falls. Additionally, it will also process the Monthly Commission Period that falls prior to the month that encompasses yesterday's date (assuming the Company hasn't committed it yet). If both of these scenarios would process the same Commission Period, then the second period should not run. The Qualification Period will be the one used by the Monthly Commission Period. The nightly process does **not** commit Lifetime Ranks. The results of this Nightly Process will be visible in the Bonus Department under Reports > Compensation Runs as a Scheduled Run. This process will also activate and calculate Volume Types whose period dates line up with the bonus period processed by this process.

CA NOTE: If the nightly does need to commit Ranks (say for a Coding Group) then both periods should commit Rank. This way, orders that are backdated will be picked up by the nightly run for the previous period and Ranks will be updated.

> Example #11:
> If the current date is 1/2 and the last committed Monthly Commission Period was for December, the nightly process will calculate using the Monthly Commission Period of January only. If the current date is 2/1, the nightly process will calculate using the Monthly Commission Periods of December and January (assuming December hasn't been committed by the Company).

Programming Note: csp_CalculateNightlyRun_CurrentAndPrior will calculate the current period as ID -2 and the previous period as ID -4. If the previous period is skipped due to criteria above, ID -4 will be removed.

2) Order Post Logic:

At the time an order is posted the system will reduce the value in the CV based on the payment types. The CV will be multiplied by the percentage of the order total that was paid by the customer. There may be times when a customer cannot get full financing and the selling agent would need to cover the difference. The customer payment would show as a credit card payment (pending implementation) and the selling agent would post a Cash/Credit payment (pending implementation). The volume would be reduced to the percentage of the Customer payment divided by the order total.

> Example #12:
> If the order total is $200 and the customer can only get financing for $175, then the agent would need to pay the remaining $25. The CV for all items on this order would be reduced to 87.5% of their original CV value (175/200 = 87.5%).

3) Platinum HA Logic:

Durning the Nightly process, if a Health Agent achieves the Status of Platinum Health Agent, the Platinum HA Date rep attribute will be updated with the current date if this is the first time that they have achieved this status. This will be used for the Perpetual Achievement Bonus to count the sets of 1000 new autoship orders.

VII.   Bonus Parameters

Bonus Parameters allows the Company to control the Bonus payouts and other editable requirements. Bonus Parameters can be changed on an editable agent or Bonus on the following page: Departments ▯Bonus ▯Administration ▯ Bonus Parameters.

Bonus Parameters can be identified in this document by the @ symbol.
Example: @500 CV.

VIII. Flat Dollar Amounts

A Flat Dollar Amount is a set dollar amount paid to a Rep(s) when a specific inventory item is purchased. It is a separate amount independent of a product's original cost or Volume and is defined by the Company. Each product can have a Flat Dollar Amount associated with it. This is controlled at the product level in the inventory.

I.) **No** Flat Dollar Amounts are used for payout purposes within this plan.

IX. Volumes

Volume is a separate amount independent of a product's original cost and/or Flat Dollar Amount and is defined by the Company. Each product has a Volume amount associated with it. This is controlled at the product level in the inventory.

I.) CV (Commissionable Volume) (CV Column):

CV is the name given to the Commissionable Volume column within inventory. Purchases of items with CV values will contribute towards Volume types utilizing CV.

Programming Note: CV = Volume

II.) QV (Qualifying Volume) (QV Column):

QV is the name given to the Qualifying Volume column within inventory. Purchases of items with QV values will contribute towards Volume types utilizing QV.

Programming Note: QV = Volume2

1) Personal Volume (PV) (CV Column):

PV is the amount of Volume accumulated by a Rep from his or her personal purchases. It also includes the Volume from the purchases of the Rep's personally sponsored Customers.

Programming Note: PV is calculated using the Bonus Period Start and End Dates and is Clawback Aware.

2) Retail Profit Volume (RP) (CV Column):

RP is the amount of Volume accumulated by a Rep from his or her personal purchases. It also includes the Volume from the purchases of the Rep's personally sponsored Customers.

Programming Note: RP is calculated using the Bonus Period Start and End Dates and is Clawback Aware.

3) Group Volume (GV):

GV is the sum of a Rep's PV and the PV of each and every Rep in the Rep's Group.

4) Downline Volume (GV):

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GV is the sum of a Rep's PV and the PV of each and every Rep in the Rep's Placement Downline.

5) Setup Fee Volume (SFV):
SFV is the sum of a PV from the Rep's Personally Sponsored Customers from purchases of items with the Setup Fee Item Inventory Attribute.

X. Grace Periods

1) There are **no** grace periods for qualification purposes in this compensation plan.

XI. Qualifications

1) Active:
To be considered Active in the Commission period, a Rep must complete the following requirements:

A) Must have an active autoship profile for an item with the Membership Fee attribute
OR
B) Must have purchased an item with the Installment Fee attribute
OR
C) Must have the Waive Active Rep Attribute applied

2) Health Consultant (HA) (RankTypeID 35):
To become and maintain the **Rep Type** of Health Consultant, a Rep must have accomplished the following within lifetime (since rep's join date):

A) Must have at least **@**50 paid orders of Whole House System Inventory item
B) Must have at least **@**500 paid autoship orders from personally sponsored customers
C) Must have at least **@**50 personally sponsored reps with at least **@**10 paid customer autoship orders each

Programming Note: Health Consultant is a different Rep Type than Water Analyst.

Programming Note: Health Consultant who fails to maintain their rank will be demoted to a Rep Type of Water Analyst.

E) Ranks

Reps will be promoted by Rank based on specific qualifications.

Rank is calculated each Bonus Period and saved as Bonus Rank or Paid As Rank (see definitions). This is the Rank used to determine qualifications for Commissions.

The Company also has a Lifetime Rank (see definition). Lifetime Rank is updated upon Bonus Commit of each Monthly Bonus run.

Unless otherwise stated, each Bonus is paid based on Bonus Rank and not Lifetime Rank.

The Company supports the following Ranks for the Water Analyst Rep Type:

#	Rank	Abbreviation	RankTypeID
1	Bronze Water Analyst	BWA	5
2	Silver Water Analyst	SWA	10
3	Ruby Water Analyst	RWA	15
4	Gold Water Analyst	GWA	20
5	Diamond Water Analyst	DWA	25
6	Platinum Water Analyst	PWA	30

Table 1: Bonus Ranks

The RankTypeID column is an internal programming reference.

F)   Rep Statuses

Rep Statuses will be used to define the Ranks for Health Agents.

1) Trainee

   All Reps start at this Rank when they become a Health Agent. There are no qualifications required to earn this status.

2) Bronze Agent
   a) Must have at least **@**1 paid autoship order from a personally sponsored customer since join date
   b) Must have at least **@**1 personally sponsored rep with at least **@**10 paid customer autoship orders since join date
   c) Must have at least **@**1 paid customer autoship order in first level of downline since join date

3) Silver Agent
   a) Must have at least **@**25 paid autoship orders from a personally sponsored customer since join date
   b) Must have at least **@**2 personally sponsored reps with at least **@**10 paid customer autoship orders each since join date
   c) Must have at least **@**10 paid customer autoship orders in first level of downline since join date

4) Ruby Agent
   a) Must have at least **@**50 paid autoship orders from a personally sponsored customer since join date
   b) Must have at least **@**4 personally sponsored reps with at least **@**10 paid customer autoship orders each since join date
   c) Must have at least **@**20 paid customer autoship orders in first level of downline since join date

5) Gold Agent
   a) Must have at least **@**100 paid autoship orders from a personally sponsored customer since join date
   b) Must have at least **@**6 personally sponsored reps with at least **@**10 paid customer autoship orders each since join date
   c) Must have at least **@**30 paid customer autoship orders in first level of downline since join date

6) Diamond Agent
   a) Must have at least **@**200 paid autoship orders from a personally sponsored customer since join date

    b) Must have at least **@**10 personally sponsored reps with at least **@**10 paid customer autoship orders each since join date

    c) Must have at least **@**40 paid customer autoship orders in first level of downline since join date

7) Sapphire Agent

    a) Must have at least **@**500 paid autoship orders from a personally sponsored customer since join date

    b) Must have at least **@**15 personally sponsored reps with at least **@**10 paid customer autoship orders each since join date

    c) Must have at least **@**50 paid customer autoship orders in first level of downline since join date

8) Platinum Agent

    a) Must have at least **@**1000 paid autoship orders from a personally sponsored customer since join date

    b) Must have at least **@**20 personally sponsored reps with at least **@**10 paid customer autoship orders each since join date

    c) Must have at least **@**100 paid customer autoship orders in first level of downline since join date

G) Rank Qualifications

There are no restrictions on how fast a Rep can move through the Ranks. Bonus Ranks will be recalculated each time the Bonus process is executed.

There are two dates used to determine each period: a Start Date and an End Date:
- Qualification Start Date: Determines the **start** of the Qualification Period
- Qualification End Date: Determines the **end** of the Qualification Period
- Period Start Date: Determines the **start** of the Bonus Period
- Period End Date: Determines the **end** of the Bonus Period

Note: The Bonus Period for the Weekly Commission will be a calendar week starting and will run from Monday through Sunday. The Qualification Period for the Weekly Commission will be a rolling five (5) week period.

Note: The Bonus Period for the Monthly Commission will begin with and include the first day of the month and extend through and include the last day of the month. The Qualification Period for the Monthly Commission will be the same as the Bonus Period.

Example #13:
The Qualification Period for the Weekly Commission Period of 12/01-12/07 will be 11/03-12/07.

The Qualification Period for the Monthly Commission period of 12/01-12/31 will be 12/01-12/31.

I.) Title Maintenance
There is **no** Title Maintenance in use at this time.

II.) Rank Qualification and Maintenance Requirements

1) Health Agent (HA)
Placeholder for Health Agent rep type

2) Water Analyst trainee (WAT)
This is where a new rep would start if they were not a Health Agent previously.
A) Must have a rep type of Water Analyst**.**

3) Bronze Water Analyst (BWA) (RankTypeID 5):
All Reps start at this Rank when they upgrade from Health Agent to Water Analyst. To become and maintain the Rank of BWA, a Rep must have accomplished the following:

A) Must have Theoretical Training Complete Rep Attribute set to True
B) Must have Five Presentations Rep Attribute set to True
C) Must be Organic Rank of WAT or higher.

4) Silver Water Analyst (SWA) (RankTypeID 10):
To become and maintain the Rank of SWA, a Rep must have accomplished the following:

A) Must be Active (see definition)
B) Must be Organic Rank of BWA or higher

C) Must have at least **@**10 paid orders
D) Must have at least **@**10 paid autoship orders
E) Must have at least **@**2 personally sponsored reps

5) <u>Ruby Water Analyst (RWA) (RankTypeID 15):</u>
To become and maintain the Rank of RWA, a Rep must have accomplished the following:

A) Must be Organic Rank SWA or higher
B) Must have at least **@**15 paid orders
C) Must have at least **@**15 paid autoship orders
D) Must have at least **@**4 personally sponsored reps

6) <u>Gold Water Analyst (GWA) (RankTypeID 20):</u>
To become and maintain the Rank of GWA, a Rep must have accomplished the following:

A) Must be Organic Rank RWA or higher
B) Must have at least **@**20 paid orders
C) Must have at least **@**20 paid autoship orders
D) Must have at least **@**6 personally sponsored reps

7) <u>Diamond Water Analyst (DWA) (RankTypeID 25):</u>
To become and maintain the Rank of DWA, a Rep must have accomplished the following:

A) Must be Organic Rank GWA or higher
B) Must have at least **@**30 paid orders
C) Must have at least **@**30 paid autoship orders
D) Must have at least **@**8 personally sponsored reps

8) <u>Platinum Water Analyst (PWA) (RankTypeID 30):</u>
To become and maintain the Rank of PWA, a Rep must have accomplished the following:

A) Must be Organic Rank DWA or higher
B) Must have at least **@**50 paid orders
C) Must have at least **@**50 paid autoship orders
D) Must have at least **@**10 personally sponsored reps

H)   Bonus Types

For each Bonus Period, the Company determines when Bonus will be processed. For example, the payout period for the next Bonus Period will be 1/1 to 1/31. The Qualification Period will be 1/1 to 1/31. The Company can decide to actually execute this Bonus Period on 2/15.

Reps must meet specific qualifications to earn Bonus and cannot retroactively qualify and earn Bonus for Bonus Periods that have already been processed and paid.

The Bonus types the Company pays are as follows:

#	Bonus Type	Bonus Period	Rep Type
1	Retail Profit Bonus	Weekly	WA HC
2	Set Up Fee Bonus	Weekly	HA WA HC
3	Residual Income Bonus	Monthly	HA WA HC
4	Direct Sales Bonus	Weekly	WA HC
5	Perpetual Achievement Bonus	Monthly	HA
6	Milestone Achievement Bonus	Monthly	HA
7	Health Consultant Bonus	Monthly	HC
8	Recruitment Bonus	Weekly	HA WA HC
9	Water Analyst Trained Bonus	Weekly	WA

Table 2: Bonus Types

1)   Retail Profit Bonus (Weekly)

To earn on the Retail Profit Bonus, a Rep must meet the following requirements:

   A) Must have a Rep Type of Water Analyst
   B) Must have a Rank of Silver Water Analyst or higher
       OR
   A) Must have a Rep Type of Health Consultant

This Bonus does not Pay On Rep orders.

The Retail Profit Bonus is controlled at the product level within Inventory through the use of the RP column. When a Rep's personally sponsored Customers purchase product, the Rep will earn a percentage of what is set within the RP column for the item(s). The percentage that a rep can earn is based on the Rep's rank.

Rank	@Percentage of RP
SWA	20%
RWA	25%
GWA	30%
DWA	35%
PWA	40%
HC	45%

Table 3:   Percentage Payouts by Rank

__General Note:__ Some products may or may not be considered Commissionable. This is controlled at the product level within the Inventory system by the Company. The Company will be responsible for properly setting up the Retail Profit amount within the inventory.

To explain the Retail Profit Bonus payout:

Example #14:

Rep #101 has 2 personally enrolled Customers, #1001 and #1002. Product #A001 has an RP amount of $100. #1001 and #1002 each buy #A001 in the Commission period. Rep #101 has the rank of Ruby Water Analyst and will earn $50 in Retail Profit (25% of $100 on each order).

Additional Considerations for the Retail Profit Bonus:
- Compression is not used in this Bonus.
- Clawback is enabled for this Bonus.

2)   Setup Fee Bonus (Weekly)

To earn on the Setup Fee Bonus, a Rep must meet the following requirements:

A) There are no requirements to earn this bonus

The Setup Fee Bonus pays out **@**10% of Rep's SFV. A Rep earns the Setup Fee Bonus on sales to personally enrolled Customers. A Rep's personally enrolled Customers that purchase product with Volume within the Bonus Period.

Example #15:

Rep #100 is a rep type of Health Agent. She has a personally sponsored customer that purchased a setup fee item with a PV of 499 in the Bonus Period. Rep #100 will earn 10% of 499 PV = $49.9 in the Setup Fee Bonus.

Additional Considerations for the Setup Fee Bonus:
- Compression is not used in this Bonus.
- Clawback is enabled for this Bonus.

3)   Residual Income Bonus (Monthly)

To earn on the Residual Income Bonus, a Rep must meet the following requirements:

B) There are no requirements to earn this bonus

The Residual Income Bonus pays out a percentage of PSV on Paid Autoship orders from a Rep's Personally Sponsored Customers. The percentage is based on the Rep Type.

Rep Type	@Percentage of PSV
Health Agent	10%
Water Analyst	5%
Health Consultant	12%

Table 4:   Percentage Payouts by Rep Type

Example #16:

Rep #100 is a rep type of Health Agent. She has a personally sponsored customer with an autoship order. That Autoship order has a total of 49 PSV. Rep #100 will earn 10% of 49 PV = $4.90 in the Residual Income Bonus.

Additional Considerations for the Residual Income Bonus:
- Compression is not used in this Bonus.
- Clawback is enabled for this Bonus.

4)   Direct Sales Bonus (Weekly)

To earn on the Direct Sales Bonus, a Rep must meet the following requirements:

- A) Must have a Rep Type of Water Analyst
  OR
- A) Must have a Rep Type of Health Consultant

This Bonus does not Pay On Rep orders.

The Direct Sales Bonus pays out a percentage of PSV from all non-autoship orders of their personally sponsored Reps. The percentage that a rep can earn is based on the Rep's Rep Type.

Rep Type	@Percentage of PSV
Water Analyst	6%
Health Consultant	6.5%

Table 5:   Percentage Payouts by Rep Type

General Note: Some products may or may not be considered Commissionable. This is controlled at the product level within the Inventory system by the Company. The Company will be responsible for properly setting up the Retail Profit amount within the inventory.

To explain the Direct Sales Bonus payout:

Example #17:

Rep #101 has 2 personally enrolled Customers, #1001 and #1002. Product #A001 has a PSV amount of $100.   #1001 and #1002 each buy #A001 in the Commission period. Rep #101 has a Rep Status of Ruby Agent and will earn $50 in Retail Profit (25% of $100 on each order).

Additional Considerations for the Direct Sales Bonus:
- Compression is not used in this Bonus.
- Clawback is enabled for this Bonus.

5)   Perpetual Achievement Bonus (Monthly)

To earn on the Perpetual Achievement Bonus, a Rep must meet the following requirements:

- A) Must have a Rep Type of Health Agent
- B) Must have a Rep Status of Platinum Agent or higher
  OR

A) Must have a Rep Type of Health Consultant

The Perpetual Achievement Bonus pays a flat $1000 bonus on each set of 1000 new autoship orders since date of promotion to Platinum Health Agent. This bonus pays on personal customer autoship orders and customer autoship orders from sponsored reps on level 1 and 2 of the downline.

Additional Considerations for the Perpetual Achievement Bonus:
- Compression is not used in this Bonus.
- Clawback is not enabled for this Bonus.

6)   Milestone Achievement Bonus (Monthly)

To earn on the Milestone Achievement Bonus, a Rep must meet the following requirements:

A) Must have a Rep Type of Health Agent
B) Must have a Rep Status of Silver Agent or higher

The Milestone Achievement Bonus pays a flat amount for the first time achieving a Rep Status. If the Rep has purchased an inventory item with Pure Air and Water attribute, they will get a 10% boost in this bonus.

Rep Status	@Amount	@AmountBoosted
Silver Agent	$500	$550
Ruby Agent	$750	$825
Gold Agent	$1000	$1100
Diamond Agent	$1250	$1375
Sapphire Agent	$1500	$1650
Platinum Agent	$2000	$2200

Table 6:   Payout by Rep Status

Additional Considerations for the Milestone Achievement Bonus:
- Compression is not used in this Bonus.
- Clawback is not enabled for this Bonus.

7)   Health Consultant Bonus (Monthly)

To earn on the Health Consultant Bonus, a Rep must meet the following requirements:

A) Must have a Rep Type of Health Consultant

The Health Consultant Bonus pays a one-time flat amount of $2,500 when a rep becomes a Health Consultant.

Additional Considerations for the Health Consultant Bonus:
- Compression is not used in this Bonus.
- Clawback is not enabled for this Bonus.

8)   Recruitment Bonus (Weekly)

To earn on the Recruitment Bonus, a Rep must meet the following requirements:

   A) There are no qualifications needed to earn this bonus

The Recruitment Bonus pays a one-time flat amount of **@**$50 for each new Sponsored Rep in the period.

Additional Considerations for the Recruitment Bonus:
   ● Compression is not used in this Bonus.
   ● Clawback is not enabled for this Bonus.

9)   Water Analyst Trained Bonus (Weekly)

To earn on the Water Analyst Trained Bonus, a Rep must meet the following requirements:

   A) Must have a Rep Type of Water Analyst
   B) Must have Theoretical Training Complete Rep Attribute set to True
   C) Must have Five Presentations Rep Attribute set to True

The Water Analyst Trained Bonus pays a one-time flat amount of **@**$1,000.

Additional Considerations for the Water Analyst Trained Bonus:
   ● Compression is not used in this Bonus.
   ● Clawback is not enabled for this Bonus.

I) General Rules

The Freedom system maintains general rules in regard to how orders, enrollments, Ranks and statuses are handled. These are applicable by default in the system and will hold true unless otherwise stated within this document.

I. Orders

1) Order Status:

An order's status will directly reflect whether or not the Bonus process will consider that order for Commission and/or qualification purposes. Orders that will be considered by the Bonus process are called Official orders. There are four main order statuses that are applicable to the Bonus process: Void, Entered, Posted and Shipped. Posted or Shipped orders are the only order statuses that are considered Official, unless otherwise stated. This holds true for Return Orders, which must be marked Posted or Shipped in order for Clawback and/or Commissions Recapture to be applicable.

2) Return Orders:

If Clawback is enabled, when an order is returned, the Commissions that were paid on the Volume or Flat Dollar Amount associated with that order will be clawed back or recaptured from the Commissions of the Rep to whom that order originally paid. This Clawback will occur in the same period in which the order is returned but will only occur for Commissions that were paid on Bonus types where Clawback is enabled and will only occur on those return orders that are in Posted or Shipped status during the Commission period. Volumes and Flat Dollar Amounts that have Clawback enabled (Clawback Aware) will not negatively affect the Rep's current period Volume or Flat Amounts for the purposes of qualifications (such as Paid As Rank qualification).

3) Voided Orders:

Orders in Voided status will not be considered for Commission or qualification purposes. Any Commissions paid on an order that is later Voided will not be recaptured via Clawback. Any Commissions due to be paid on an order that is Voided prior to Commissions being processed will not pay. Order-Post based Lifetime Rank updates that occurred due to the posting of an order that is then Voided will not revert, meaning the Rep will retain the Lifetime Rank they earned when that order was posted (unless it is manually adjusted). Business Centers, Coding, and/or Genealogical inserts or moves that result from the posting of an order will not revert if that order is Voided.

4) Entered Orders:

Orders in Entered status will not be considered for Commission or qualification purposes until they are Posted. If the order's Order Date falls within a period that has already been processed for Commissions when they are Posted that order will not be considered for Commission or qualification purposes. When the order is Posted, its Order Date must fall within a period that has yet to be processed in order for it to be considered for Commission and/or qualification purposes. If an order that has paid out in a prior period is un-posted and then reposted into a period that has not yet been processed, that order runs the risk of paying out more than once. This behavior should be avoided when possible.

5) Posted/Shipped Orders:

Posted or Shipped Orders are fully prepared to count towards Commissions and/or qualifications so long as the order's Order Date falls within the Commission and/or Qualification Period. A single order may pay out to multiple Reps but will only Pay To each Rep once unless otherwise stated. In addition, unless explicitly stated otherwise, an order will never pay out in more than one Commission period.

6) Transferring Orders:

When an order is transferred from one Rep or Customer to another, the system will recognize that order as having been originally placed by the Rep or Customer it is transferred to. Simply, the system will not recognize any links to the Rep or Customer who originally placed that order. This means that the new Rep or Customer who receives that order will benefit from it fully and the Rep or Customer from whom it was transferred will not be associated with that order in any way. If an order is transferred after it has paid Commissions to the Rep (or sponsoring Rep of the Customer) who originally placed the order, no new Commissions will be paid to the new owner of that order. If an order that has been transferred is returned, any Clawback or recapture applied will appropriately recapture funds originally paid to Rep on that order, regardless of who the current owner is.

II. Transferring Rep/Customer Sponsorship, Termination and Cancellation

1) Inline Cancellation:

When a Rep is inline Cancelled, that Rep's Downline and personal Customers are reassigned to the newly Cancelled Rep's Sponsor. All personal orders will follow the Cancelled Rep into the Terminate tree where they will not pay. All orders placed by that Rep's Customers will follow those Customers and will count towards any Customer Volume calculations for the new Sponsor. The new Sponsor will qualify for Rank and personally sponsored bonuses on those newly assigned Reps and Customers. Any new personally sponsored Reps inherited from the Cancelled Rep that were not actually enrolled by the new Sponsor will still be considered personally sponsored Rep for the new Sponsor and will not retain their Sponsorship ties to the inline Cancelled Rep, unless specifically stated otherwise within this document.

Example #18:
Rep #101 enrolls Rep #102. Rep #102 enrolls Rep #103. Rep #102 also has a Customer, Cust #1000. Rep #102 is inline Cancelled and is moved to the Terminate Tree. Rep #103's Sponsorship ties are assigned to Rep #101 and Customer #1000 is transferred to Rep #101. Rep #101 will now earn any Volume and/or bonuses from Customer #1000 as though Customer #1000 had always been his personal Customer. Rep #101 will also earn any personally sponsored bonuses and qualify from Rep #103 as though he had personally enrolled Rep #103. The system will act as though Rep #102 never existed.

2) Cancellation:

When a Rep is not Inline Cancelled (moved to the Terminate Tree and has their Downline/Customers reassigned to the Upline) and is instead left in the Genealogy and has their Lifetime Rank set to Cancelled, the system will still recognize the Sponsorship ties between the Cancelled Rep and his personally enrolled Rep. This means that the Cancelled Rep will be Ineligible to earn on any bonuses, but, unless Compression is applied at the time of Bonus/Commissions (payouts roll up past inactive/Cancelled Rep), the system will still recognize the Cancelled Rep as the

Sponsor and those payouts will be held as Breakage (will not pay). No other Rep will benefit in Sponsorship bonuses from the Cancelled Rep's personally sponsored Rep unless Compression is applied, or the payouts are based on levels or generations of the Sponsorship tree.

3) <u>Transferring Customers/Sponsorship Changes:</u>

When a Customer is transferred from one Rep to another or a personally sponsored Rep's Sponsorship links are set to another Rep from the Rep who originally sponsored them, the system will fully recognize those links and will not acknowledge any Sponsorship ties that Rep or Customer had previously. Simply, when a Rep or Customer is assigned to a new Sponsor, the system will award that new Sponsor all the benefits of being that reassigned Rep or Customer's enrolling Rep. This means that the new Sponsor will earn all applicable Sponsorship bonuses and will qualify from that newly assigned Rep or Customer as though he or she had originally enrolled them. The system will ignore any Sponsorship ties that Rep or Customer previously had to any other Rep unless this document explicitly states otherwise. Additionally, all orders and Volume from that transferred Rep or Customer will follow them and will roll up into the new Upline. There are some scenarios that are exceptions to this rule and would be detailed within the Volumes definitions.

J)   Check Fee/Minimum Check Amount

A minimum Payout amount will be set by the Company. Any amounts less than that amount will be held and paid in a future Bonus Period. This is called a balance forward. There is also a Payout Processing Fee setting for the Company. The Company can change these settings as desired.

The System supports a fixed Payout Processing amount for each distinct payout method. Please review the following examples to understand how Freedom handles Payout Processing Fees.

**Please note that this section is only a set of <u>examples</u> provided to assist with understanding how a Check Fee or Minimum Check Amount, if used, will affect Commissions and Bonus payouts. The decision to implement Check Fees and/or Minimum Check Amounts is fully at the discretion of the Company and this section does not imply that they will be used, nor does it define those amounts, if implemented. **

<u>Settings for the Examples Below</u>

Check Fee: $ 1.50
Minimum Overall Check Amount: $20.00

<u>Example A:</u>
A Rep's total Commission to be paid out in a given period is $100.00.
$100.00 - $1.50 = $98.50
$98.50 exceeds the minimum overall check amount of $20.00.
The Rep will earn a check for $98.50.

<u>Example B:</u>
A Rep's total Commission to be paid out in a given period is $8.00.
$8.00 is below the minimum overall check amount of $20.
The Rep will not earn a check.
A balance forward is created for $8.00 and will be added to the Rep's next payout.

<u>Example C:</u>
A Rep's total Commission to be paid out in a given period is $20.00.
$20.00 - $1.50 = $18.50
$18.50 is below the minimum overall check amount of $20.
The Rep will not earn a check.
A balance forward is created for $20 and will be added to the Rep's next check.

*<u>**Company Note:**</u> Check Fees and Minimum Check Amounts are unique for each payout method used (if multiple payout methods are in application). These are set up within each payout method in Freedom.*

K)   Intended Exclusions

Items <u>not</u> outlined or addressed in this document will <u>not</u> be programmed or considered. Any discussions not documented in this control document will not be programmed. All items impacting the compensation plan should be documented within this control document.

L)   Company Sign-Off

Once approved by the Company, this Compensation Plan Control Document becomes a binding agreement by the Company.   The undersigned represents and warrants that he or she is authorized by the Company to sign this document. This Compensation Plan Control Document is the sole source of information from which the Company's compensation plan will be programmed, supersedes all prior discussions, whether oral or written, and may only be changed by written agreement of the Company and ByDesign.   Instructions or changes requested by the Company that are not agreed to in writing by ByDesign shall be deemed void and will not be reflected in the Company's compensation plan as programmed.

Authorized Company Representative: Nairovi Herrera

Version: 1.7

Author: Patrick Lewis

Company: AquaBioVida

Signature: _____

Print Name: _____

Title: _____ Date: _____