

Policies and Procedures



STARLIGHT

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Revised Effective Date: April 15, 2009

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Together we keep the Starlight opportunity strong and vital. We share the rewards when we share the commitment and the responsibility. To this end, it is the responsibility of the Independent Distributors to comply with these Policies and Procedures, and the responsibility of the Company to enforce them fairly and without exception. When signing a Distributor Application and Agreement Form, you declare and acknowledge that you have read, understood, accepted and agree to abide by these Policies and Procedures and agree to remain informed on any changes to these Policies and Procedures. Violation of these Policies and Procedures can be grounds for immediate suspension or termination.

1. Administrative Policies

1.1 Independent Distributor

- 1.1 a Definition - An Independent Distributor (also referred to as you) may hold her/his Independent Distributorship business (also referred to as Distributorship) as a sole proprietorship - an individual, with his/her spouse (see 1 .1f), or with a Co-Applicant (see 1.1 d) - or as a partnership, corporation, or Limited Liability Company (LLC) (see 1.1 g). To become an Independent Distributor of Starlight (also referred to as the Company), you must choose a sponsor, have your Independent Distributor Application and Agreement Form accepted by the Company, and establish an independent business for the purpose of distributing Starlight products and service through person-to-person network marketing.

Each Independent Distributor position can earn one qualification for each incentive award program that may be offered by the Company, no matter how your Distributorship is held or how many individuals are listed on your Distributorship. For example, if your Distributorship is qualified for the car allowance, you would have one car/office allowance. If your Distributorship qualified for an incentive trip, you, an Independent Distributor, and one guest could attend.

- 1.1 b Minimum Age - You must be at least 18 years old to become a Starlight Independent Distributor.
- 1.1 c Application Process - In order to become an Independent Distributor, you must submit, to Starlight, a completed Independent Distributor Application and Agreement Form that includes the names, Social Security Numbers, and signatures (either electronic when submitted via Starlight's website or written when submitted by fax or mail) of all persons to be listed on the Distributorship, plus the name and identification number of your choice of sponsor. You may submit your application on the Starlight website or by faxing or mailing to the Company. If applicable, the Corporate/Partnership Form (see 1.1g) and/or tax-exempt information (see 1 .14b) must be included. The Company is not responsible for any lost or incomplete applications or for any delays in processing caused by lost or incomplete applications. The Company reserves the right at its sole discretion to accept or reject any application without comment.

It is the Distributor's responsibility to ensure that all contact information is correct and current during the term of the Distributorship in the Company's records. The Company will not be held responsible for situations arising from any communications being delayed, misdirected or returned to the Company due to incorrect or outdated information provided by the Distributor.

- 1.1 d Applicant and Co-Applicant - If you submit your Independent Distributor Application and Agreement Form as a sole proprietorship or in your DBA name, you are the principal person or Applicant and your Social Security Number will be used for tax and other purposes for your Distributorship. If you wish to name a Co-Applicant to your Distributorship, that name must also be included on your original Independent Distributor Application and Agreement Form. A Co-Applicant may not be added after your Application has been accepted by Starlight including change of status (see 1.1 h). An exception to this policy is allowed only when adding the name of a spouse (see 1 .1f). The Applicant and Co-Applicant have equal access to the Distributorship. They may switch roles by providing written notification to the Company, signed and dated by both parties.
- 1.1 e Identification Numbers - For internal administration and identification of your business and to comply with governmental regulations, a Social Security Number is required for all Applicants and Co-Applicants, even when a Federal Tax Identification Number is used. While Starlight requires your Social Security Number to accept your Application, you have the option of also using a Federal Tax Identification Number for tax purposes in appropriate circumstances. When the Company accepts your Application, you will be assigned an Independent Distributor Identification Number, unique to you. This Distributor ID Number is to be used in all transactions between you and the Company.
- 1 .1f Individuals and Spouses - If you are married, you may hold your Distributorship as an individual or with your spouse listed as Co-Applicant. However, your spouse, whether listed on the application form or not, is considered to be a part of your Distributorship. You may not directly or indirectly sponsor your spouse. Your spouse cannot act as a retail customer, nor can he/she establish a Distributorship under the same or a different sponsor. In order to have access to your Distributorship, your spouse must be listed on your Independent Distributor Application and Agreement Form. To add your spouse to your existing Distributorship, advise Starlight in writing. This notification must be dated and signed by both you and your spouse, and must include the name, date of birth, and Social Security Number of your spouse. Please indicate if your spouse is the Applicant or the Co-Applicant.

1.1f 1 Marriage - If you and another Starlight Independent Distributor (to whom you have never previously been married) marry, you can choose one of the following options: 1) You can join together on one Distributorship and terminate the other; or 2) You can retain both existing Distributorships. This is the only case in which spouses may maintain two Distributorships.

1.1f 2 Divorce or Legal Separation - If you and your spouse are listed on your Distributorship and your divorce is final or separation has been entered as a court order, then the following two options are available to you: 1) Both parties may choose to remain on the Distributorship; or 2) If one spouse chooses to withdraw from the Distributorship, then you must send to the Company a letter of resignation with notarized signatures of both parties indicating how you have agreed to handle your Distributorship. You must include in this letter the date on which you received your final divorce decree or the date on which your separation was entered as a court order. You must also enclose a certified copy of the court order declaring your divorce final or adjudicating your separation. Upon satisfaction of these requirements, the resigning spouse may either create a new Distributorship with a sponsor of his/her own choice or purchase a Distributorship through the Sale and Transfer process (see 1.17). In this event, the 12-month waiting period to reapply will be waived.

If the Company does not receive these written instruments, it shall consider the Independent Distributor to be the person listed as the current Applicant.

1.1f 3 Remarriage or Re-Cohabitation - If you or your spouse from whom you are divorced or legally separated have maintained separate Distributorships after your divorce or legal separation (see 1.1f2), but then remarry or begin living with each other again, you and your spouse may not retain your two separate Distributorships. Within ten (10) days after the date of your remarriage or the date you begin to live with each other again, you must send to Starlight written notification signed by both parties of the Distributorship you wish to terminate, and indicate which person will be the Applicant and which person will be the Co-Applicant. If the Company receives no such notice within the required time, the last established Distributorship will be terminated, and the first established Distributorship will be retained. The determination of first established or last established Distributorship will be based solely on the dates of establishment in the Company's books and records.

1.1 g Partnerships and Corporations - In our experience, if two or more individuals want to work together, it is best for one person to sponsor the other(s). However, a Starlight Independent Distributorship may be created for a corporation, partnership, or Limited Liability Company. If you wish to hold your Distributorship in one of these entities, you must submit a Corporate/Partnership Form in addition to your original Distributor Application. This form can be obtained from our website or from Distributor Support. In addition to the Corporate/Partnership Form, information substantiating the type of entity and the entity's Federal Identification Number must be provided. Please see the instructions on the Corporate/Partnership Form for further details.

1.1 h Change of Status - If you wish to change your Independent Distributor status from an individual or sole proprietorship to partnership, corporation, or Limited Liability Company (LLC), or vice versa, notify the Company in writing, providing details of all participants in the new entity on the appropriate Company forms. All participants must have been part of the original Distributor Application (see 1.1g). If you are changing to an individual or sole proprietorship, please submit an amended Independent Distributor Application and Agreement Form, stating the Applicant and Co-Applicant and all appropriate information. However, the person named as your Co-Applicant must have been listed on your original Application (see 1.1d). Such changes will take effect the first day of the next commission month.

If a corporation, partnership, or Limited Liability Company wishes to dissolve or otherwise cease operating, resign as an Independent Distributor or one of its members wishes to leave and create a new Independent Distributorship, then the following procedures must be followed:

1.1 h1 Dissolution or cessation of corporation, partnership, or Limited Liability Company or resignation as an Independent Distributor. All members of the partnership, all shareholders and officers of the corporation or all members of the Limited Liability Company must sign, with notarized signatures, and send to the Company a letter stating the unanimous decision to dissolve or cease operation of the corporation, partnership, or Limited Liability Company or resign as an Independent Distributor. This letter must include the date on which this is to become effective. Such changes will take effect the first day of the next commission month. Upon satisfaction of these requirements, the members of the corporation, partnership, or Limited Liability Company may either create new Distributorships with a sponsor of their own choice or purchase a Distributorship through the Sale and Transfer process (see 1.17). In this event, the 12 month waiting period to reapply will be waived. Thereafter, a new corporation, partnership, or Limited Liability Company may not be formed with all or some of the same members.

If the Company does not receive these written instruments, it shall consider the Independent Distributor to be the corporation, partnership, or Limited Liability Company listed as the current Applicant and none of its members may apply to create a new Distributorship.

1.1 h2 The withdrawal of one or more partners, shareholders, officers or members from a Distributorship that is a corporation, partnership, or Limited Liability Company. If one or more partners, shareholders, officers or members from a Distributorship that is a corporation, partnership, or Limited Liability Company wish to withdraw or resign from the entity, then a letter of change of ownership with notarized signatures of all members of the partnership, all shareholders and officers of the corporation or all members of the Limited Liability Company must be sent to the Company. This letter shall indicate how all members of the partnership, corporation or Limited Liability Company have agreed to handle the Distributorship and the effective date of such change. Such changes will take effect the first day of the next commission month. The Company must also receive notarized copies of any agreements, minutes of meetings or corporate resolutions demonstrating the change of ownership. Upon satisfaction of these requirements, the members who are leaving the corporation, partnership, or Limited Liability Company may either create a new Distributorship with a sponsor of his/her own choice or purchase a Distributorship through the Sale and Transfer process (see 1.17). In this event, the 12month waiting period to reapply will be waived. The members who leave the corporation, partnership, or Limited Liability Company may not hold any ownership or other financial interest in the remaining Distributorship that is a corporation, partnership, or Limited Liability Company.

1.1 I Annual Renewal - The position of Independent Distributor is valid for one year and must be renewed annually, by the close of the last business day of the month in which you became an Independent Distributor (your anniversary month). While timely renewal is your responsibility, Starlight will attempt to notify you by mail or email prior to your renewal date. You may submit the Annual Renewal Fee by mail or via the Company website, www.starlightonline.com or you may choose the Automatic Annual Renewal Option. Regardless of when and how you pay your Annual Renewal Fee, if for any reason your Independent Distributorship is terminated or if you resign, you shall not be entitled to a full or partial refund of your Annual Renewal Fee. When you authorize the Automatic Annual Renewal Option on your Independent Distributor Application and Agreement Form, you provide a valid credit card and its current expiration date to be kept on file with the Company. Your credit card is charged annually on the first day of your anniversary month. If your card is not valid, you will be notified by letter or email and must contact the Company with a valid form of payment by the close of the last business day of your anniversary month. You may cancel the Automatic Annual Renewal Option with via the Company website or by written notification to the Company any time before the beginning of your anniversary month.

Failure to renew will be considered a voluntary termination and will result in the loss of all Independent Distributor rights, removal from the marketing structure, forfeiture of future commissions, loss of right to any incentive or awards, and loss of your downline organization, which will be transferred to your sponsor in the next commission period (see 1.20 for the reapplication process).

1.2 Purchase Requirements - No inventory purchase is required to become a Starlight Independent Distributor. Your only requirement is to purchase a Welcome Kit, the ultimate source of information about the Company, the Policies and Procedures, the Products, and the Marketing and Compensation Program. Any initial purchase of products or services is made at your discretion. You should also state this fact clearly to any potential Distributor.

1.3 Zones of Operation - Your activities as an Independent Distributor must be conducted exclusively within those countries or zones of operation designated by the Company. Currently, they are the United States and its territories, including Puerto Rico, Guam, and the U.S. Virgin Islands. This shall include any activities on your web site and the Internet as permitted in section 2.11.

If you relocate outside the Company's then current designated zones of operation, and you maintain a street address within the Company's designated zones, you may continue your marketing and sponsoring activities, but only within that designated zone.

1.4 Territories of Operation - There are no exclusive territory assignments. You are free to function anywhere within the countries or areas designated as zones of operation by Starlight (see 1.3).

1.5 Independent Contractor Status - Independent Distributors are independent contractors. Therefore, you are solely responsible for any expenses, fees, licensing, taxes, or governmental or contractual obligations which result from operating your independent business. As an Independent Distributor of Starlight, you are not a purchaser of a franchise or a Distributorship. You may not represent yourself as an employee, agent, franchisee, or partner of the Company, nor represent your independent business as a joint venture with the Company. You are responsible for your business practices and have no authority to bind the Company to any obligations or liabilities. The Company will not be responsible for any claims, damages, or liabilities arising out of the operation of your business (except those set forth in 1.13).

1.6 Personal and Professional Behavior - Starlight requires its Independent Distributors to engage in proper behavior both personally and professionally. Proper conduct and integrity are of the utmost importance to Starlight and its network of Independent Distributors. Your personal behavior as well as your business practices must at all times be consistent with the integrity and high standards of Starlight and must not harm or reflect unfavorably upon Starlight or its Independent Distributors. Starlight shall have the right in its sole discretion and based on such factors as the seriousness of your violation of the Policies and Procedures, past conduct and the Company's own internal investigation, to immediately suspend and/or immediately terminate, pursuant to Section 1.21 of these Policies and Procedures, any Independent Distributor, regardless of rank, who engages in improper behavior or business practices. Examples of such inappropriate behavior or business practices would be the arrest or indictment for any crime, harassing or pressuring any other Distributor or member of the general public, or engaging in any behavior that would reflect negatively on Starlight or its Independent Distributors.

1.7 Changes, Amendments, and Invalidity - Starlight reserves the exclusive right to add, delete, terminate or modify the terms of wholesale pricing, Policies and Procedures, and/or the Marketing and Compensation Program at any time. The Company will provide

written notice of such actions through letter, email, ENews, or posting on the Company website. All additions, deletions, modifications and/or termination will automatically become effective on the date the notice is given or such other date as the Company may reasonably elect and become part of the Independent Distributor Agreement by and between Starlight and its Independent Distributors. It is the responsibility of the Independent Distributor to review and be familiar with the current Policies and Procedures on a regular basis. By continuing your Distributorship or accepting any compensation as part of the Marketing and Compensation Program, acknowledges that you have read and agreed to accept and abide by any and all amendments.

If, due to changes in the law or for any other reasons, the Company should change any portion of these Policies and Procedures, the Independent Distributor Application and Agreement Form, or the Marketing and Compensation Program, or should any other documents or forms of the Company become legally invalid, then the balance of the documents and forms shall remain in full force and effect.

- 1.8 Sponsoring - Sponsoring is the core of network marketing success. In order to support this vital function, an Independent Distributor may have only one sponsor. Transferring from one sponsor to another is prohibited. You may not, in any form or capacity, participate or benefit in any way from more than one Independent Distributorship.
- 1.8a Sponsoring Rights - The Company will not mediate disputes between you and another Independent Distributor should both of you contact the same prospect. Should this occur, the Company will recognize as sponsor the individual whose name and Independent Distributor Identification Number appears on the Independent Distributor Application and Agreement Form first received by the Company.
- 1.8b Sponsoring Responsibilities - All new Independent Distributors have the right to receive free training and support from their sponsors. The kind of training and support a new Distributor receives will, in large part, determine his/her team's achievements. As a successful sponsor, you will:
- Build relationships and demonstrate leadership through regular contact, guidance, and encouragement.
 - Understand your team's goals and level of commitment and provide appropriate support.
 - Not put pressure on any Distributor to do anything they do not want to do or are not comfortable doing.
 - Demonstrate proper personal and professional behavior to your downline and retail customers and do nothing that shall reflect unfavorably on Starlight, your downline or your business.
 - Train your team in the official Starlight materials and approach to product and business presentations and assist them in hosting meetings.
 - Accompany your team to Starlight presentations and gatherings and encourage both new Distributors and their guests to wear appropriate business attire when attending presentations to further enhance the Company's professional public image.
 - Help your team understand and comply with the Policies and Procedures, Marketing and Compensation Program, and Retail Customer Money Back Guarantee.
 - Demonstrate how to interact successfully with prospects and customers and provide direction to help resolve any questions or disputes promptly and amicably.
 - Introduce the new Distributors in your team to your upline.
- 1.9 Uniformity of Presentations and Materials - Starlight has carefully developed and produced scripts, slides, printed, audio, and visual materials to ensure a consistent, accurate, and professional presentation of the Company, the Products, and the Marketing and Compensation Program. You may use only these Company-produced materials to present your Starlight business. You will conduct all Business Opportunity Meetings and Company-produced trainings without altering or compromising the content, integrity, and/or intent of these Starlight programs.
- 1.10 Claims and Representations - Starlight does not, nor does it permit anyone to, make claims that its products treat, prevent, cure, or mitigate any medical condition or disease. The only claims you may make regarding Starlight products, services, or the Marketing and Compensation Program are those stated in current Company-produced materials. You may not use third-party testimonials (other people's testimonials) unless they are included in current official Starlight materials. You may not suggest or imply that additions or enhancements of products, services, the Marketing and Compensation Program, or zones of operation are forthcoming. You shall instruct all users of Company products to read labels and follow directions.
- 1.11 Retail Customer Money Back Guarantee - The Starlight 30-day, 100% Money Back Guarantee covers all company products for retail customers who are not fully satisfied. Gracious and prompt refunds are important for customer satisfaction and the good reputation of Starlight and all Independent Distributors.

It is your responsibility to provide retail customers with a receipt from the Starlight Retail Receipt Book for each purchase so they will have a clear statement of the guarantee. Starlight will replace any product you refund when you complete the following:

- Promptly refund the entire purchase price, including tax, to the retail customer as covered by the Company guarantee.
- Request a Return Authorization Number from Distributor Support within 30 days of receiving the returned product from the customer.
- Mail returned product, freight prepaid, along with the Customer Refund Form to the Returns Department within 10 business days of receiving the Return Authorization Number. Returned product received after the return period has ended will not be replaced or returned.

- 1.12 The 70% Rule - The Starlight program is built upon retail sales of products and services to the ultimate consumer. Inventory loading is prohibited. This would include the purchase of products and services for the sole purpose of qualifying for commissions or advancement within the Marketing and Compensation Program. Thus, when re-ordering inventory from the Company, you are required to have sold at least 70% of all previous orders. You are required to keep receipts of all retail sales activity. If requested by the Company, you must furnish those receipts in order to verify that at least 70% of your previous orders have been sold.
- 1.13 Product Liability Insurance - Starlight carries product liability insurance in an amount consistent with the size of the Company to protect the Company and each active Independent Distributor. Your insurance coverage applies to those uses and purposes that have been specifically set forth on product labels or in official Company literature.
- 1.14 Taxes - As the owner of an independent business, you are responsible for all federal, state, and local taxes which apply to your business. Because tax laws are different, depending on where you live, Starlight is not in a position to advise you on tax compliance. You should consult the appropriate taxing authorities, your tax advisor, or accountant.
- 1.14a Sales Tax - Many Starlight products and sales aids are subject to sales tax in various state and local jurisdictions. Starlight has registered with the applicable jurisdictions to collect and remit sales tax on your behalf. Sales tax is therefore charged on each order placed with the Company unless the Distributor files a resale tax exemption (see 1.14b). Sales tax is based upon the ultimate retail price of the products, plus shipping and handling charges where appropriate. Tax rates are determined according to the jurisdiction to which the products are shipped.
- 1.14b Resale Tax Exemption - In some states, Distributors may be eligible to claim a resale tax exemption, and by doing so, retain responsibility for the collection, reporting, and payment of all such taxes. To claim the resale tax exemption, obtain a copy of your state's Resale Certificate from Distributor Support and submit this form plus a copy of your current Sales Tax Permit to the Company. The certificate and permit must be in the same name as your Distributorship. The Company requires up to two business days to process your tax exemption and cannot refund any sales tax collected before the exemption is granted.
- 1.14c Income Tax - U.S. Federal and State tax laws impose certain reporting requirements with which the Company fully complies. For the proper administration of these reporting requirements, all Distributors must present proper taxpayer identification numbers (see 1.14e). It is your responsibility to ensure that your name, legal address, and taxpayer identification number are correctly reflected in the Company's records. Failure to ensure that this information is correct could result in the imposition of penalties, fines, or back-up withholding by government authorities.

At the end of each calendar year, the Company will provide you and the IRS with a copy of Form 1099-MISC (or other tax form), as required by law. Reported compensation includes, but is not limited to, total commissions paid by the Company plus the fair market value of any merchandise or Incentive Trip Awards which you received from the Company.

- 1.14d Self-Employment Tax - You are responsible for any self-employment tax you may owe. Consult the IRS, your tax advisor, or accountant.
- 1.14e Unemployment Tax - As an independent contractor, you are not eligible to claim unemployment compensation or make a workman's compensation claim as an Independent Distributor of Starlight.
- 1.14f Local Business Taxes and Permits - Various states and municipalities may require tax permits or fees from persons conducting business within their jurisdictions. It is your responsibility to familiarize yourself and fully comply with such legal requirements.
- 1.15 Regulatory Agencies - Starlight makes every effort to assure good relations with all regulatory bodies. However, no governmental body, whether an office of State Attorney General, Secretary of State, or the Better Business Bureau, a state or federal trade commission, a consumer protection agency, or similar entity, approves or endorses any product or marketing program. You may not claim or imply approval, sanction, or endorsement by such bodies.
- 1.16 Arbitration - You and the Company agree to submit any claim or controversy of whatever nature arising out of or relating to any relationship between you and the Company to final and binding arbitration administered by JAMS/Endispute under its Comprehensive Arbitration Rules and Procedures. Judgment upon the award may be entered in any court having jurisdiction. The arbitrator shall be a retired or a former judge of a United States District Court or the Superior Court of the State of California, and shall be selected as follows: The parties shall attempt to agree on any qualified member of the JAMS/Endispute panel. If the parties are unable to agree on an arbitrator within 30 days after service of the demand for arbitration, either party may request the JAMS/Endispute Arbitration Administrator to furnish a list of three qualified members from its panel; each side shall strike one name from the list, and the remaining person shall act as the arbitrator.
- The arbitration proceeding shall be conducted in the county of the Home Office of Starlight. Depositions may be taken and discovery may be obtained in any arbitration under this Agreement in accordance with California Code of Civil Procedure §1 283.05 or any amendment thereto. The dispute will be determined by the laws of the State of California. The arbitrator will have the authority to award any relief that would be available in a court of law. Each party will bear its own costs and fees in the arbitration but Starlight will pay the costs for the arbitrator. If the arbitrator finds that any claim filed by an Independent Distributor is either frivolous or maliciously filed, the arbitrator can shift his fees.

- 1.17 Sale or Transfer of a Business - An active Distributorship may be sold, assigned, or transferred if it has attained the paid rank of Star or above and remained active and qualified as defined under the Starlight Marketing and Compensation Program, effective April 1, 2002, for at least three of six consecutive months prior to the offer to sell, assign or transfer. Written approval of the transaction must be obtained from the Company, which retains sole discretion to accept or reject any such transaction. You can obtain a Sale and Transfer Packet of proper forms from Distributor Support.

Before you can offer your Distributorship to any other party, you must first offer it in turn to the three consecutive levels of your upline, beginning with your sponsor. These offers must be in writing, with copies to the Company. If purchased by an upline, your Distributorship will be terminated and your downline will be rolled up to your Sponsor.

If all three upline sponsors decline the written offer, you may extend the same offer to an outside party who is not currently nor has been an Independent Distributor or who has not held an interest in a Starlight Distributorship for 12 consecutive months. If the terms and conditions of the offer change, the revised proposal must first be offered to your three upline sponsors in the same order as before.

Once you have sold or transferred your business, you will be eligible to re-apply to become an Independent Distributor after 12 months from the date of the Company's written approval of the transaction (see 1.20 for the re-application process).

- 1.18 Inheritance/Conservatorship - Upon the death of an Independent Distributor, that Distributorship and all rights will pass to the Independent Distributor's legal successor(s) when the Company receives the appropriate legal documentation - a certified copy of the Death Certificate, together with either a certified copy of a court order distributing the Distributorship to the deceased's beneficiary(ies), or a trust certification certifying as to the rightful succession of the decedent's interest in the Distributorship.

If difficulties arise or a lengthy period of time is required for the submission of proper documentation, the Company may decide to place the Distributorship in suspended status during that period but will continue to accrue any monies which may be due under the Distributorship. If the legal successor or beneficiary is already a Starlight Independent Distributor and is not the deceased Distributor's immediate sponsor, then that successor must sell, assign, or transfer one of the Distributorships as set forth in 1.17. If the legal successor or beneficiary is the deceased Distributor's immediate sponsor, then the decedent's Distributorship will either merge and become part of the legal successor's or beneficiary's Distributorship position as if a sale or transfer had occurred, or it may be sold by the legal successor or beneficiary under the Sale and Transfer provisions. In a sale under these conditions, the requirement to offer the Distributorship to the upline sponsors is waived.

If the legal successor or beneficiary of the deceased Distributor is a minor, the Distributorship may be held in trust for the minor until she/he reaches the age of 18, at which time she/he will become the owner of the Distributorship as if a Sale and Transfer had occurred. Upon the incapacity of an Independent Distributor, all income from the Distributorship shall be paid to the Distributor's legal conservator when the Company receives the appropriate legal documentation - a certified copy of any court order declaring the Distributor mentally or physically incapacitated and a certified copy of the court order appointing a conservator for the Distributor.

- 1.19 Voluntary Termination - If you wish to voluntarily terminate your Distributorship, you may either:

- Submit a signed and notarized letter of resignation to the Company from all parties listed on the Independent Distributor Application and Agreement Form, with a copy to your sponsor.
- Request a refund according to the procedures set forth in 1.19a.

No involvement with Starlight products, services or the Marketing and Compensation Program is permitted after resignation without re-application to and acceptance by the Company (see 1.20).

- 1.1 9a Refunds and Inventory Return - Only in the case of voluntary termination will Starlight accept inventory returns, and only when those items have been purchased directly from Starlight and are in original condition. Prior to returning inventory, obtain a Return Authorization Number from Distributor Support. Then ship, freight prepaid, those products or sales aids in original condition to Starlight Home Office within 10 business days of obtaining the Return Authorization Number. Items not in acceptable condition will not be eligible for refund and will be returned to you at your expense.

Refund of the items and refund of applicable sales taxes on original purchase will be in accordance with the following schedule:

Purchase Period and Refund Percentage
Within 180 days = 100%
More than 180 days = 0%

Within 60 days of receipt of returned items, a check will be sent for the amount of refund, less shipping, any commissions already paid and less the value of any promotional prizes won as a result of the original purchase.

- 1.20 Re-Application Process - Any involvement in the marketing of Starlight products and/or services or the Marketing and Compensation Program, or participation in any Company event, meeting, or training after an Independent Distributor has resigned and before the expiration of the 90-day hiatus period, shall be cause for denying re-entry into the Starlight organization. If you wish to reapply to become an Independent Distributor, you must:

- Submit a new Independent Distributor Application and Agreement Form, with the sponsor of your choice, no sooner than 90 days after your resignation or termination date from the Company.
- Purchase a Welcome Kit.
- Begin at entry level.
- Build a new downline organization.

If you were terminated due to Non-renewal of your Starlight Independent Distributorship and you wish to reapply to become an Independent Distributor, you must:

- Submit a new Independent Distributor Application and Agreement Form with the sponsor of your choice, no sooner than 90 days after your termination from the Company.

1.21 Suspension and Termination - Any violation by you of these Policies and Procedures or the Distributor Application Agreement shall, based on such factors as the seriousness of your violation of the Policies and Procedures, past conduct and the Company's own internal investigation, result in either the suspension or immediate termination of your Independent Distributorship. The decision whether to suspend or terminate your Independent Distributorship shall be in the Company's sole discretion. Upon termination, the Company is entitled to seek legal remedy, including a claim for attorneys' fees and costs for any damages to which it is entitled to by law and authorized to contact any governmental entity responsible for oversight of any laws, rules, statutes or regulations that the Distributor may have violated. The failure by the Company to terminate or suspend the Independent Distributorship or to enforce any breach of the Policies and Procedures shall not be deemed to be a continuous waiver in the event of any future breach or waiver of the Policies and Procedures.

If the Company determines that your violation of the Policies and Procedures first warrants a suspension then you will receive written notice advising you of any complaint and/or violation of these Policies and Procedures. You will have the opportunity to respond in writing. No communications of any other kind including telephone calls or e-mail shall be permitted. If the Company determines to suspend your Independent Distributorship then the following procedures shall apply:

- Starlight will send, by certified mail or overnight delivery a letter of intent to terminate your Independent Distributorship.
- You shall have ten business days from the date of the suspension letter to respond in writing and present any facts or other information to the Company. All facts and information must be in writing. A failure to respond shall be deemed by the Company to mean that you agree with the grounds for suspension and your Distributorship will be terminated.
- Upon review of your response and additional information, if any, as determined appropriate by the Company, you shall be notified, in writing of the Company's decision to either reinstate your Independent Distributorship or to terminate your Independent Distributorship.
- If the Company determines to terminate your Independent Distributorship, the date of termination shall be the date of notification of your suspension. Notification of your termination shall also be sent to your sponsor and any immediate upline Diamond.
- All decisions of the Company are final.

During the suspension period you shall be excluded from all interactions with the Company including any of the following:

- The ability to place orders, or sponsor new Independent Distributors and retail customers.
- Access to records of bonuses and commissions.
- Use of the Company website and Independent Distributor web portal.
- Participation in any Company event, meeting, training, or contest, even if the qualification period for such activities was prior to the effective date of suspension.

If, during the suspension period, your commission check becomes due, your check shall be held until a decision by the Company is made. If your Independent Distributorship is reinstated your commission check shall be sent to you along with your notice of reinstatement. If your Independent Distributorship is terminated you will be sent a commission check with commissions due you, if any, for the last commission period prior to the date of your termination, which shall be the date of notification of your suspension.

If, during the period of suspension, the Annual Renewal Fee becomes due, the Company will accept the fee and renew the Distributorship. If, after your suspension, the Company determines to terminate your Independent Distributorship, the renewal fee will be refunded.

If, the Company determines that, based on such factors as the seriousness of your violation of the Policies and Procedures, past conduct and the Company's own internal investigation an immediate termination of your Independent Distributorship is warranted, then you will receive written notice advising you of your immediate termination along with a statement setting forth the violation of these Policies and Procedures. Copies of your notice of termination shall be sent to your sponsor and any immediate upline Diamond in your organization. The decision of the Company to terminate your Independent Distributorship shall be final and cannot be appealed. Upon termination you shall lose all Independent Distributor rights, be removed from your sponsor's downline, forfeit any right to future commissions, lose all right to any incentives or awards and your downline organization shall be transferred to your upline sponsor in the next commission period.

1.22 Prohibition on Cross-Sponsoring and Recruiting Ownership of Downline Information - While you have the exclusive right to collect commissions on your downline organization, the names, addresses and other personal information regarding your downline Independent

Distributors is and shall remain the sole and separate property of the Company. You, as an Independent Distributor, may not use, or cause anyone to use, this information to recruit, solicit or otherwise induce any other Independent Distributor to, in any manner, join, participate, or enter into an agreement of any kind with any other network marketing company or direct sales company during the term of your agreement with the Company.

- 1.23 Outstanding Collections - Timely payment of all monies owed is required to remain in good standing. Starlight has the right to deduct any outstanding debt owed to the Company from commissions earned. If an Independent Distributor does not have sufficient commissions to cover an overdue debt, and ignores his or her financial responsibilities, the Company will take any corrective action available.
- 1.24 Confidentiality and Nondisclosure - On a periodic basis, Starlight will supply you with data processing information and reports concerning your downline organization. This is proprietary information and shall not be, either directly or indirectly, disclosed to a third party or used to compete with the Company. You and the Company agree that, but for this agreement of confidentiality and nondisclosure, the Company would not provide this information to you. Should you violate this agreement, the Company shall have the right to take any reasonable steps to prevent disclosure of this information. This policy remains in effect even after a Distributor chooses to resign his or her Distributorship or is involuntarily terminated and does not bring exemption to this policy.
- 1.25 Compliance - The Starlight program is built upon sales of Company products and services to the ultimate consumer and conducted in a manner prescribed by the Company. As an Independent Distributor of Starlight products and services, you are expected to comply with these Policies and Procedures and any amendments to them, and the Marketing and Compensation Program. Failure to comply with any portion of these can be grounds for immediate suspension or termination as set forth in paragraph 1.21.

2. Promotion and Advertising

We all benefit from the proper use of the Starlight name and logo and its affiliated products and services because the goodwill of the Company is for everyone. The guidelines in this section were created to maintain the integrity and value of the Starlight name and image, and must be followed by Independent Distributors for all promotion and advertising.

- 2.1 Use of Authorized Promotional Materials - The Company will produce and offer for download on our website and/or sale at a reasonable price, the materials necessary to promote your business. Use only those current approved materials obtained directly from the Company or the Company's website. In no event may you personalize, translate, or modify approved current materials in any way, nor may you create, publish, sell, translate, or distribute any other promotional materials. This prohibition also applies to sales aids and brochures promoting a specific downline or organization.
- 2.1a Copyrighted Materials - Starlight is the sole owner of all rights in the content of all Company-published or Company-produced materials and Company-sponsored training sessions, meetings, and presentations. To use, record, copy, or reproduce any portion of these materials is not permitted.
- 2.1 b Names, Product Names, Trademarks, and Logos - You may not include the Starlight name or any of its trademarks, trade names, product names, or logos in connection with or as part of the name of your Distributorship, nor in any printed or promotional materials.

Your only authorized use of the Starlight name and/or Logo is to identify yourself as an Independent Distributor of the Company. It must be done in such a way as to establish immediate recognition of your status as an Independent Distributor of Starlight.

You may not make, manufacture, or obtain from any source other than the Company, promotional items or literature of any kind upon which the Company's name, logo, product names, trademark, or copyright is imprinted. This restriction includes all promotional gift items of any kind, or other items you may want to give to customers or prospects.

- 2.2 Product Claims - When talking about Starlight products, follow the guidelines set down in: 2.1 Use of Current Authorized Promotional Materials and 1.10 Claims and Representations. No third-party testimonials, either verbal, email or written, are permitted.

- 2.3 Income Representation - When discussing the Marketing and Compensation Program and income potential for Starlight Independent Distributors:

- You may disclose your own actual income, but please make it clear that your income may not be typical.
- You may not give random, hypothetical examples of what is mathematically possible, nor suggest that it is easy to attain high income levels.
- Explain that individual earnings of Independent Distributors depend solely upon their level of effort and personal commitment.
- Do not make false or misleading statements about your own or any other Independent Distributor's income, exaggerate income potential, or guarantee the success of any prospect.

- 2.4 Inducements to Prospects - Each new Independent Distributor is responsible for building her/his organization with support in the form of training and supervisory assistance from the sponsor. Do not promise to provide prospects or actually place/stack new Independent Distributors under a prospect, imply special favors or special treatment in any form, or claim a 'special relationship' with the Company

as an inducement to sponsorship.

2.5 Public Meeting Signage - At open or public meetings, use only approved Starlight signs.

2.6 Business Names - Starlight is a trademark owned by the Company and no form of it may be used in any Independent Distributor's business name. Examples of unacceptable names are Starlight of Tustin or Warner's Starlight.

Be sure to clearly identify yourself as an Independent Distributor whenever you use the name Starlight on any business account such as checking or credit accounts (see 2.1 b). An example of incorrect wording is: "Starlight, Mary J. Smith, Distributor." An approved format is: "Mary J. Smith, Independent Distributor of Starlight."

2.7 Business Cards and Stationery - A full-color stationery package and Business Cards are available through the Company. Items may be ordered directly from Starlight or online at www.starlightonline.com.

2.8 Telephone/Directory/Program Listings - Directory listings can be a valuable method of attracting new customers. The following policies and procedures apply to both print and electronic directory listings

- White or Yellow Pages telephone listings may contain only the following information:

Starlight
Independent Distributor
Your Name and Telephone Number
Your Address (optional)
Your Web address

- Toll-free directories often drop the words "Independent Distributor" from their listings to conserve space. Therefore, you may list only your name and number in toll-free directories, with no reference to Starlight.
- When you use the name Starlight in any directory or program listing, you must also include the phrase Independent Distributor (see 2.1b). Your listing should not appear to be an official Company listing nor result in any responses to inquiries for any Starlight office to be directed to you. Should any such calls come to you, refer them immediately to the Starlight Home Office.
- You may be listed in the Yellow Pages telephone directory under such categories as Weight Management, Nutrition or Wellness.
- You may not contract for a display-type ad in any directory or program.
- When listing in a directory of your local Chamber of Commerce, networking organization and community groups, Starlight has an approved directory description of the company and its products. The current approved description is listed on the Starlight website in the Distributor Service Menu, Administrative, Forms. Exact wording must be used with no revisions.
- Should your Distributorship be terminated for any reason, be sure to immediately cancel any directory listing that refers to you as a Starlight Independent Distributor

2.9 Receiving Calls - When answering your telephone, either in person or through an answering device or service, do not give callers the impression that they have reached Starlight offices.

2.10 Pre-Recorded Telephone Solicitations - The Company name or any copyrighted materials may not be used with automatic calling devices or 'boiler room' operations either to solicit Independent Distributors or retail customers.

2.11 The Internet and Your Personal Website - All guidelines set out in these Policies and Procedures also govern websites. Websites can include your own personal website with a separate URL address as well as having a presence on social networking sites such as Facebook, MySpace, and Twitter. The policies & procedures governing operating your business on the Internet are as follows:

- Social Networking websites

You may be a member of a social networking site and promote your Starlight business on the site in accordance with these policies and procedures:

- ~ may be linked to Starlight's website
- ~ may not be linked to the websites of product research council members
- ~ any discussions of the products, your business, photos, video, etc must be in accordance with these policies and procedures.
- ~ may not give the impression that it is an 'official' site of the Company.
- ~ may not make unauthorized claims, engage in unprofessional or inappropriate behavior or take any other action which would be deemed a violation of these policies and procedures.
- ~ may not endorse/sell/link/reference products sold by other Companies similar to those sold by Starlight.
- ~ any reference to Starlight or its products must be removed upon termination of your Distributorship.

- Your own personal website

Although we encourage you to promote your business via a social networking site vs having your own personal website, you may have a personal website in accordance with these policies and procedures:

- ~ must have its own separate URL address
 - ~ may not be linked to Starlight's website or to link to the websites of product research council research council members.
 - ~ may not give the impression that it is an 'official' website of the Company.
 - ~ may not make unauthorized claims, engage in unprofessional or inappropriate behavior or take any other action which would be deemed a violation of these policies and procedures.
 - ~ may not endorse/sell/link/reference products sold by other Companies similar to those sold by Starlight.
 - ~ may not include personal photos that identify your affiliation with Starlight.
 - ~ any reference to Starlight or its products must be removed upon termination of your Distributorship.
- Do not use the Starlight name, trade names, trademark, logo, product names, copyrighted materials or make unauthorized claims or make references of any type to the name of any corporate executives, officers, employees, service providers, endorsement personalities, product research council members, or the name of any group or individual who is associated with Starlight in any of the following ways:
 - ~ as part of your URL address or domain name.
 - ~ as a search engine term, word, or other link to your website.
 - ~ as part of the text which is intentionally drafted to create a search term on any page of your website as part of any ad (see 2.18 Blind Ads).
 - ~ in any newsgroup posting or bulletin board.
 - Be scrupulous in following all Internet etiquette:
 - ~ respect other users' privacy.
 - ~ take all reasonable steps to ensure Internet security.
 - ~ use only 'bcc' or blind address entries when sending broadcast e-mails to your organization to prevent any unauthorized use of your name list (check with your Internet provider to learn how to use blind addresses on lists).
 - ~ do not use mass e-mailings or 'spam' to promote your business.
 - You may accept and process orders for products and services only from persons residing within Company-designated zones of operation (see 1.3).

2.12 Exclusivity in Business Conduct - While conducting your Starlight business, you may not display, sell, or promote, either directly or indirectly, any products, services, or opportunities of any other companies. Additionally, only Starlight products and/or authorized promotional materials may be sold or displayed at any Starlight meeting, including but not limited to jewelry or items of apparel not directly produced and sold by the Company.

2.13 Retail Outlets - Individual service and personal attention, key components of direct selling success, are best delivered on a person-to-person basis. Therefore, the Company does not allow the display or sale of Starlight products or promotional materials in any retail outlets other than personal service establishments (see 2.14). Retail outlets include pharmacies, health food stores, and all stores where any type of products are sold, flea markets or swap meets, permanent shopping mall booths, restaurants, bars, nightclubs, or any similar establishments. You may display and sell products in a nonpermanent shopping mall booth only if that booth is used for this purpose no more than two days per calendar month.

2.14 Personal Service and Appointment-Only Business - You may display and sell Starlight products or promotional materials in establishments such as doctor's offices, spas, or salons provided you do so at your workstation or at an area where you perform your services. No products or promotional materials may be displayed when an Independent Distributor is not present, nor may any be displayed or sold in general areas which are accessible to passersby or walk-in traffic.

2.15 Fairs and Trade Shows - You may promote Starlight products at short-term fairs and trade shows provided they are offered in an exclusive area and not together with products from other companies. Use only current authorized promotional materials (see 2.1).

2.16 Barter Organizations - You may not promote Starlight products or your Starlight business through any type of barter organization.

2.17 Print, Radio, Television/Cable, and Internet Advertising - No radio or television/cable advertising is permitted in any format whatsoever. Blind ads are permitted in print and on the Internet as discussed in 2.11 and 2.18.

2.18 Blind Ads - Blind ads are permitted in print and on the Internet with the following requirements:

- Do not use the Starlight name, trade names, product names, trademarks, logo, or copyrighted materials. (For Internet ads, see 2.11.)
- Do not make unauthorized claims or mention any medical conditions, diseases, or income representations (see 1.10 and 2.3).
- Do not reference the name of any corporate executives, officers, employees, service providers, endorsement personalities, product research council members, or the name of any group or individual who is associated with the Company.
- Printed flyers, tear sheets or spam emails are not authorized promotional material and are not permitted.
- Blind print ads must include your name. For example, a print ad could end with the statement, 'for details, call Mary Smith

at 1-714-555-1212,” but not with the statement, ‘for details call Mary Smith, Independent Distributor of Starlight, at 1-714-555- 121 2.” If you mention the name of Starlight, the ad is no longer blind.

2.19 Media Inquiries and Appearances - If you are contacted by the media - radio, television/cable, or print press - refer the contact to the Starlight Home Office. To ensure a consistent public image, only authorized officials of the Company may speak to the media on behalf of Starlight. Do not solicit media coverage or publicity or agree to media appearances to promote your Starlight business or activities. If you are contacted for such an appearance, you must obtain prior written approval from an authorized officer of the Company before agreeing to appear.

3. Accounting

3.1 Retail Direct Program - Your Retail Customers may purchase products directly from the Company through the Retail Direct Program. Help them fill out their first order and include their name, email address, telephone number, and street address, plus a shipping address if different from their street address, as well as your complete name and Independent Distributor ID number on the order form. You may not use your address as the shipping address on a retail customer order without prior approval of Starlight.

When processing a Retail Customer Product Order or a Retail Customer Automatic Monthly Order accompanied by payment in full, the Company will send the products directly to your customer and will credit the retail profits and your commission to your monthly commission statement. There is a \$3.00 processing fee for each order.

If requested by the customer, the Company will honor the Retail Customer Money Back Guarantee, refunding the customer directly and deducting the related retail profits and commission from your next monthly commission statement. The processing fee is not refundable. For commission purposes, Retail Direct Customers will remain tied to the Independent Distributor who initiates their first order, and may not be transferred within a downline organization without Company approval.

3.2 Commission Qualification Schedule - Commissions plus all incentive programs, including travel awards, and the car allowance program, are calculated and paid on a calendar month basis for all active and qualified Independent Distributors in good standing. Volume purchases must be received and paid for by the close of business (PT) on the last working day of the qualifying month. Commission will be paid by the Company no later than the 20th of the following month. No commission checks will be issued for amounts of \$15 or less. The amount will be credited to the Distributor account as ‘cash-on-account’ for use with future purchases. In the event a Distributor requests a check the clear their cash-on-account balance a \$25 fee will be charged for each check.

3.3 Commission Issues - Any questions concerning commission calculations or checks must be raised with Distributor Support within two calendar months from the date on the commission check for that period. For example, a question about June checks, paid in July, must be raised by the end of September.

3.4 Notification of Change - It is your responsibility to notify the Company by letter, fax, or phone if there is any change regarding your Distributor information (see 1.1 c Application Process). You may also update your address, contact and payment information by on the Company website www.starlightonline.com.

3.5 Check Processing Fee - A \$25 check processing fee (subject to change by the Company) will be charged for all checks returned for non-sufficient funds, stop payments, and closed accounts. Two returned transactions will result in the suspension or cancellation of check-writing privileges(see 1.24 Outstanding Collections).

3.6 Single Form of Payment - One form of payment, in the exact amount and in a form acceptable to the Company, must accompany each order (see 4.2a). Independent Distributors may not combine orders (see 4.1 b).

3.7 Leadership Commission - Leadership Commission is earned by Active and Qualified Silver Stars and above as a reward for the leadership provided to their downline organization, including supervision, training and development. It is calculated at a fixed percentage up to six qualified generations of Stars and their teams. Failure to provide bonafide leadership may result in forfeiture of Leadership Commission.

3.8 Replacement Checks - Upon request, Starlight will replace a previously issued check. The Company will charge a fee of \$25 per replaced check, which will include commission, refund checks, and direct deposit returns. Requests for checks not received will be replaced following a 15-day waiting period from the date of original mailing and the replacement fee will be waived provided the Distributor notifies the Company within 90 days of the date the original check was issued.

3.9 Garnishments and Levies - In the event Starlight receives notices of a court-ordered garnishment or tax levy for a Distributor, the Company is required by law to honor the notice and remit the requested monies until such time as a release is received from the agency. Upon receipt of a Notice of Garnishment or Notice of Levy, the Company will notify the Distributor with a copy of the official notice. The requested monies will be withheld from any commissions due the Distributor for remittance to the agency. The Distributor will not be qualified to receive their commissions by direct deposit and will be subject to replacement check fee of \$25 per check. The Company will have a maximum of 10 days following the 20th of each month in order to complete the remittance of monies to the agency and mail the remaining commissions, if any, to the Distributor.

4. Ordering and Shipping

4.1 Ordering

- 4.1a Forms - Use only Company-produced order forms. Current forms and price listings are always available on the Company website, www.starlightonline.com. Personalized order forms are not accepted.
- 4.1 b "One Person, One Order" - You may place orders only under your own Distributor ID Number, using your own form of payment (see 3.6). Independent Distributors may not combine orders. A retail customer product order may not be placed or paid for by an Independent Distributor.
- 4.1 c Shipping Address - You may use only one shipping address per order. Distributor shipments will be sent only to a street address and cannot be made to General Delivery or military or civilian APO delivery sites. New Distributors and retail customers must have their own street and shipping addresses, different from any upline sponsors, except if the new Distributor is a member of the sponsor's household.
- 4.1d Quantities - As an Independent Distributor, you may order as set forth in current Company Price Listings.

4.2 Payment

- 4.2a Forms of Payment - Authorized forms of payment are: cashier's check, personal check, money order, or approved Visa®, MasterCard®, or Discover® Cards. A Direct Deposit to any Starlight bank account does not constitute a valid form of payment. No C.O.D. orders or third-party wire transfers (i.e., Western Union) are accepted.
- 4.2b Checks - All forms of check transactions are on a 'good funds' basis (i.e., when a check is presented to the Company, it must be immediately cashable). The following guidelines apply to personal checks:
- Use for mail-in orders of personal purchases only.
 - Use only your own check imprinted with your name and street address.
 - The name printed on your check must match the name on your Distributorship.
 - Your signature must match your name as printed on the check.
 - Two non-payment transactions will result in suspension or cancellation of check-writing privileges or Bank Draft Authorizations (see 1.24 and 3.5).
 - The amount of any non-payment transaction, plus applicable check-processing fees, may be deducted from commissions.
- 4.2c Credit Cards - The person ordering must be the owner or authorized signatory (recognized by the bank) of the credit card. The Company must have a current billing address on file for each credit card account used for payment. The billing address must be within those zones of operation designated by the Company (see 1.3).
- 4.2d Disputed Balances - 'Disputed balances' on your account, whether from credit card 'charge backs' or any other reason, will result in the suspension of all commissions until the dispute in question is resolved to the Company's satisfaction.
- 4.3 Shipping/Handling Charges - The shipping and handling charges listed on the order form are subject to change and are in addition to the price of products and sales aids. They must be included with order payment and may be subject to sales tax. Orders shipped to Alaska, Hawaii, Puerto Rico, Guam, and the Virgin Islands are subject to additional shipping charges as stated on the order forms.
- 4.4 Submitting Orders - There are five ways to submit orders to Starlight:
- Starlight Website: www.starlightonline.com
 - Telephone: 1-800-286-0600, M-F, 7 a.m. - 4 p.m. PT
 - Fax: 1-800-575-4309
 - U.S. Mail:
Starlight
Order Department
P.O. Box 16027
Monterey, CA 93942-6027
 - Federal Express, UPS, or overnight deliveries:
Starlight
Order Department
80 Garden Court, Suite 100
Monterey, CA 93940
831-373-6800
- 4.5 Order Processing - Orders will not be processed if not completed properly or not accompanied by valid payment. Orders received with underpayments of more than 7% will not be processed. Orders received with underpayments of 7% or less will be processed and the shortage debited against commissions for that period.
- Orders will be shipped and credited to the commission period in effect when payment is received and processed. This includes:
 - ~ check transactions involving 'good funds' (see 4.2b). ~ replacement funds for non-payment transactions.
 - ~ credit card approval.

- If your transaction request cannot be processed, the Company will take appropriate measures to attempt to notify you either by phone, mail, fax or email.

4.6 Shipping Options and Carriers - Two shipping options are available:

- Standard - you will receive shipment within four to seven business days after order entry.
- Express - you will receive shipment within three business days after order entry. The additional charge is stated on the order form.

Orders within the contiguous 48 states will be shipped via carriers of the Company's choosing to fulfill shipping options. Typical carriers include the U.S. Postal Service, United Parcel Service, Airborne, and Federal Express.

4.7 Backorders - Starlight makes every effort to have products/sales aids in stock. Sometimes products/sales aids are not available due to circumstances beyond the Company's control. Therefore, should an ordered item be temporarily out of stock, you will receive a 'backorder notice' with your shipment. Backorders are filled first when new inventory arrives. Purchase volume on backorders is credited to the month in which payment for the original order is processed.

4.8 Product Exchanges - There are no product exchanges. All product orders are final (except as described in 4.9). Therefore, please take special care when ordering.

4.9 Product Returns - Starlight will accept the return of incorrect, defective, or damaged items only (see 4.10 for products damaged in shipping). For incorrect or defective items: Call Distributor Support.

4.10 Damaged Shipments - Starlight products and sales aids leave our Distribution Facility ready for use and resale. Save the damaged boxes and Contact Starlight Distributor Support for further instructions.

4.11 Lost Shipments - Report any suspected lost shipments, either partial or complete, to Starlight within seven days after the expected date of arrival (see 4.6). The Company will first check with the carrier regarding the status of the delivery before sending replacements.

4.12 Automatic Monthly Order Program – Starlight has an optional Automatic Monthly Order (AMO) Program which allows Distributors/Customers to receive the same specific order each month. AMO's will be processed on the first, second or third week each month based on a schedule established by Starlight. Any new AMO's will be initially processed in the month following receipt. AMO orders can only be changed /cancelled once every three months. More frequent change requests or cancelling prior to the three months being shipped will incur a processing fee based on the wholesale order value as follows: \$0-249 a \$25 change fee; \$250-\$499 a \$35 change fee; \$500-\$999 a \$50 change fee; \$1,000 - \$1,499 a \$75 change fee; and \$1,5000 or more a \$25 change fee. The AMO program and related terms may be cancelled or changed by Starlight at any time. Starlight will not be liable for any special or consequential damages whether direct or indirect for any wrongful changes.

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Appendix 1 – Starlight Marketing and Compensation Program Terminology:

The terms in this section are for your reference only. There's no need to memorize these definitions. As you 'live' the Starlight Marketing and Compensation Program, these words will come to life all by themselves. For a full understanding of this Marketing and Compensation Program, please read Starlight's complete Policies and Procedures.

Starlight Paid Ranks:

Distributor – An individual who has chosen a sponsor, completed an Independent Distributor Application and Agreement and has had that form accepted by the Company at the Company's Home Office.

Phase 1–

Activity Requirement of at least \$150 Personal Volume

- **Director** – An Independent Distributor who has achieved \$0 - \$999 in cumulative Team Volume.
- **Producer** – An Independent Distributor who has achieved \$1,000 - \$2,999 or more in cumulative Team Volume.
- **Star** – An Independent Distributor who has achieved at least \$3,000 in cumulative Team Volume, of which at least \$1,000 must have been accumulated within the qualifying month and at least \$1,000 of which must be unencumbered volume within the qualifying month. (Please see Qualified Star.)

Phase 2–

To be qualified to receive Leadership Commission:

- Activity Requirement at least \$150 Personal Volume
- Qualification Requirement at least \$500 Team Volume (including \$150 PV) **and:**
- **Silver Star** – A Star who has developed and maintains at least 1 Qualified Star (or above) Leg.
- **Gold Star** – A Star who has developed and maintains 3 Qualified Star (or above) Legs and has at least 7 Qualified Stars (or above) in their organization with a maximum of 10 Qualified Stars per leg counted toward their qualification.
- **Emerald Star** – A Star who has developed and maintains 4 Qualified Star (or above) Legs and has at least 15 Qualified Stars (or above) in their organization with a maximum of 10 Qualified Stars per leg counted toward their qualification.
- **Diamond Super Star** – A Star who has developed and maintains 5 Qualified Star (or above) Legs and has at least 28 Qualified Stars (or above) in their organization with a maximum of 10 Qualified Stars per leg counted toward their qualification.

Other Starlight Compensation Plan Terminology:

Active Distributor – As a Starlight Independent Distributor, you are current in renewal fees and eligible for all benefits of an Independent Distributor as described in the Starlight Policies and Procedures and the Compensation Plan.

Active Status/Activity Requirement – Maintaining your Personal Activity Requirement with Personal Volume within a calendar month is required by definition for each rank under the Starlight Compensation Plan. Any rank that is called 'Active' (i.e., Active Star) is based on Commission Qualification Status for that commission month and does not refer to an 'Active Distributor' as defined above. As a Director, Producer or Star you have a Personal Volume requirement of at least \$150 each calendar month to receive personal rebates and team commissions.

As a Silver Star or above, you must maintain the Activity Requirement with Personal Volume of at least \$150 PV each calendar month to receive personal rebate and team commission. Team Volume of \$500 including at least \$150 PV, will meet qualification requirement for any Leadership Commissions, along with Qualified Star legs and required number of Qualified Stars in your organization.

Automatic Monthly Order (AMO) – As a Starlight Independent Distributor, you ensure your monthly activity and eligibility to receive personal rebates and commissions by authorizing an Automatic Monthly Order. Please see the Automatic Monthly Order Form for complete instructions.

Breakaway – The process that occurs when an Independent Distributor's Personal Team 'breaks away' from his/her upline sponsor. This process occurs when an Independent Distributor achieves Star status the first day of the month following their qualification month.

Breakaway Organization – All Stars and their teams in an Independent Distributor's generations of Breakaways.

Calendar Month – The period of time used to track volume product purchases and calculate rebates and commissions. All volume product purchases received by Starlight's Home Office by the end of Starlight's Home Office business hours on the last business day of the month will count toward that month's calculations of rebates and commissions payable to Starlight Independent Distributors of Active and/or Qualified Status.

Commissionable Volume – The volume amount of an Independent Distributor's purchases of product from the company less any fees for single items. This volume amount is indicated separately on all price lists and order forms for reference.

Commissions – Commissions are earned by Independent Distributors of Active and/or Qualified Status based on the commissionable volume of Starlight products purchased from the Starlight Home Office. Commissions are comprised of a combination of Direct Retail Profits, Personal Purchase Rebates, Team Commissions, Leadership Commissions and Car Program payments based on their 'paid' rank in that month. Commissions will be paid by the 20th day of the following month.

Compression of Non-Qualified Star Positions – The Starlight Compensation Plan compresses non-qualified Stars so that, in terms of payout, generations are defined by Stars (or above) of Qualified Status. Compression does not apply to Distributor Incentive Programs.

Cumulative Volume – The total amount of all Personal Volume made by an Independent Distributor and his/her Team starting with his/her Initial Product Purchase and subsequent orders made from the Company.

Downline – All those Independent Distributors sponsored within one Independent Distributor's organization.

Genealogy – As Starlight accepts and enters sponsor data from each Starlight Distributor Application and Agreement Form, it creates an addition to the sponsor's first level on their genealogy. Each Distributor's genealogy is available to them on the Starlight website and reflects volume purchases from the previous business day.

Generation – When an Independent Distributor's Star breaks away, he/she becomes the sponsor's first generation. As in a family, subsequent generations then follow. For monthly Leadership Commission, generations are defined by qualified status.

Infinity Search for Paid Rank Qualification – To determine Paid Rank Qualification for Silver, Gold, Emerald and Diamond Stars, the Company will search down each leg of a Distributor's organization downline up to infinity to find Qualified Stars or above (up to 10 Qualified Stars (or above) in each leg). Infinity search does not apply to Distributor Incentive Programs.

Initial Product Purchase Volume (IPPV) – In qualification for trip incentive contests, you personally sponsor a specified number of new Distributors during the period of that particular incentive trip contest. Each new Distributor's first order must be over the dollar amount specified for the qualification of that incentive trip to qualify as IPPV. No orders may be combined. This new Distributor must remain an Active Distributor through the entire contest period to qualify as IPPV.

Level – Level refers to line of sponsorship. You sponsor your first level and that level sponsors your second level. Levels only change when there is a roll up due to termination.

Leadership Commission – This commission is earned by Active and Qualified Silver Stars and above who have helped other Independent Distributors achieve Star rank and for their ongoing sponsoring activities and motivation. Silver Stars and above are eligible to receive Leadership Commission when they are Active and Qualified and have developed Qualified Star Legs (or above) and the required number of Qualified Stars in their organization resulting in a monthly commissionable paid rank of Silver Star or higher.

Legs – Refers to your first level Stars and above. Each first level Star creates its own leg (any separate line of sponsorship) to your genealogy. Qualified Star (or above) Legs determine Independent Distributors' qualified eligibility for promotion to Silver Star and above and eligibility to receive Leadership Commission.

Network/Downline Organization – All Independent Distributors sponsored by an Independent Distributor and subsequent sponsoring that follows.

Paid Rank/Status – An Independent Distributor's monthly 'paid' rank or status is defined each commission month by total cumulative Team Volume together with their personal volume activity and/or qualified status. In Phase 2, this is combined with the 'paid' rank or status of members of his/her downline as Active and/or Qualified Stars (or above) as defined in the Starlight Compensation Plan.

Personal Team – Those Independent Distributors in an Independent Distributor’s downline who are neither Stars nor in a breakaway Star’s downline.

Personal Purchase Rebate – The percentage rebate paid to Active Directors, Producers, Stars and above on their personal purchases commissionable volume.

Personal Volume (PV) – The volume amount of an Independent Distributor’s personal purchases; it includes the commissionable volume of retail purchases made by customers directly from the Company.

Personally Sponsored – This term refers to any Independent Distributor who is sponsored by another Independent Distributor. The individual whose name appears on the Independent Distributor Application and Agreement as the sponsor is the personal sponsor of the applicant. A downline roll-up to first level is not considered personally sponsored.

Position/Status – The earned position or status within the Starlight Compensation Plan. An Independent Distributor’s position/status is defined by total cumulative Team Volume together with the achieved and maintained status of members of his/her downline organization.

Price: Suggested Retail – The retail price Starlight suggests its Independent Distributors charge their retail customers for products. As independent contractors, Starlight’s Independent Distributors may set their own retail prices.

Price: Wholesale – The dollar amount that Independent Distributors of Starlight pay for products when purchased directly from the Company.

Promotions – You will be promoted during the commission month in which you satisfy the requirements for all positions except Star. Promotion to Star takes place on the first day of the month following the month you have met the criteria for Star rank. Once you are promoted to Star, you will continue to be recognized at a minimum of that ‘paid as’ Star rank.

From the Star promotion month forward, you will be paid any monthly commission based on meeting your personal volume activity requirement and team volume qualification as well as your downline Stars’ qualification as defined in the Starlight Compensation Plan.

Qualification Month – The month in which a Distributor satisfies the criteria of the Star position. The effective promotion date is the first day of the next calendar month.

Qualified Status – Maintaining Personal and Team Volume within a calendar month as well as qualified Star legs and total number of Stars in your organization is required to receive Leadership Commissions as a “paid as” Silver Star, Gold Star, Emerald Star or Diamond Super Star. All Independent Distributors at “paid as” Silver Star Status and above have a Team Volume qualification requirement of at least \$500 each calendar month including the \$150 Personal Volume activity requirement.

Note: A Star has a minimum Team Volume amount of \$500 to qualify their upline.

Qualified Star – A Star whose Team Volume for a calendar month equals or exceeds \$500. This Qualified Star helps to qualify their upline and must include \$150 Personal Volume to receive any of their commissions.

Retail Profit – The difference between the price at which an Independent Distributor purchases product from the Company (less any earned Personal Purchase Rebate on such purchases) and the price he/she charges a retail customer. Retail profits from Retail Direct Orders are paid along with commission on the 20th of the following month. There are no activity or qualification requirements to receive your Direct Retail profits in any commission month.

Roll Up – If an Independent Distributor is terminated for any reason, then that Distributor’s entire downline organization will automatically roll-up to their sponsor on the first day of the next calendar month.

Sponsor – Any Starlight Independent Distributor who shares the opportunity with another individual and signs him/her up as an Independent Distributor. A sponsor is directly responsible for the training and support of his/her Independent Distributors.

Team – Those Independent Distributors in an Independent Distributor’s network who are not Stars or are not in a downline Star’s network.

Team Commission – The commission paid to Active and/or Qualified Producers, Stars, and above, based upon the differential percentage between their status and the status of the various Independent Distributors in their Team. Please note that Team Commissions are not paid on any Distributor of your team when they are at the same rank as you.

Team Volume (TV) – The Personal Volume of an Independent Distributor plus the Personal Volume of any Independent Distributors in his/her Team during a given period. All volumes are on product purchases.

Team Volume Carry-Forward – For any Distributor who ever achieved the paid status of Silver Star and above, there exists a Team Volume Carry-Forward provision. Any month that you achieve more qualifying Team Volume than is needed for your Star or above qualification, you may roll that excess volume up to \$500 into the next month. This Team Volume only applies for qualification in the next consecutive commission month, and does not fulfill your activity or Personal Volume requirement, and is not commissionable since it was paid in the previous month. This does not apply to the Car Program qualification.

Unencumbered Volume – Any of your Team Volume not being used by another Independent Distributor in your downline achieving Star status in the same month as you are achieving Star status. The month an Independent Distributor qualifies for promotion to Star status, he/she encumbers the entire amount of their Team Volume for that commission month. That downline Distributor's entire Team Volume is still that upline's Team Volume as defined but is encumbered and fulfills none of the \$1,000 Team Unencumbered Volume requirement.

Appendix 2 – Car Program

Starlight Leadership Car Allowance Program

If you're looking for the car of your dreams or a second vehicle to meet the needs of your family, Starlight has a program that is geared just for you.

The Starlight Leadership Car Allowance Program will provide you with the opportunity to own the automobile of your choice – so whether it is a Cadillac, BMW, Mercedes, Lexus, or Honda, you pick the car, you pick the options, and you pick the purchase plan that suits you and your lifestyle. Then based upon your monthly performance, once you qualify under this program, Starlight pays a monthly car allowance directly to you.

As you drive down the road in your new Starlight automobile or park outside your Business Opportunity Meetings, you'll be making a very visible statement of just how successful you are in the program to your new prospects and to those Distributors already in your organization. One look and everyone will want to duplicate your successful efforts.

In order to qualify for this very special program, you must:

- Be at the level of Silver Star or above in the Starlight Marketing and Compensation Program.
- Maintain a Team Volume of at least \$1,000 per month for three (3) consecutive months.
- Have any four (4) first level Stars or above (compression does not apply) also maintaining at least \$1,000 in Team Volume for the same three consecutive month period. (Please note: First level Stars must have achieved Star status prior to any car qualification month.)

At the end of the third consecutive month of meeting all of the above qualification criteria, you become "Car Qualified." Starlight will then notify you providing helpful information to assist you in becoming a participant in the program. After selecting the vehicle of your choice and finalizing the purchase or lease, you simply complete the Leadership Car Allowance Program Application and Agreement Form and submit it along with the signed purchase or lease agreement to the Starlight Home Office. After acceptance into this prestigious program, Starlight will automatically send your Leadership Car Allowance directly to you, for each month that you continue to qualify, as part of your regular commission check. It's that simple!

The amount of your monthly Leadership Car Allowance is determined by three very important factors:

1. The maximum allowable payment.
2. The actual payment amount earned.
3. Your team performance and that of any four (4) first level Stars or above.

Calculating Your Monthly Maximum Allowable Payment

The maximum allowable payment you may earn each month is determined by the actual acquisition price (without tax and license) of your new car plus twenty-five percent (25%). The extra 25% is added automatically by Starlight to help cover taxes, licensing, insurance, finance charges, and maintenance costs on your new vehicle. This is then divided by 24, 36 or 48 months depending upon the length of your Leadership Car Allowance Program.

The maximum allowable payment in any month may not exceed \$3,000 and in order to participate in the program, you must acquire a new vehicle at a minimum cost of \$25,000. You may choose any type of vehicle you wish – a car, a van or a great looking sport utility vehicle with all the extras. You decide what's best for you, your lifestyle and what will provide you with the most advertising mileage in your Starlight business.

The length of your Leadership Car Allowance Program is determined by the acquisition price (less taxes and fees) of your vehicle as detailed below:

24 Months:	\$25,000 to \$39,999
36 Months:	\$40,000 to \$59,999
48 Months:	\$60,000 and above

Following is an example of calculating your monthly maximum allowable payment:

Vehicle Acquisition Price:	\$44,500.00
25% of Vehicle Acquisition Price:	<u>11,125.00</u>
Total Allowable Vehicle Cost:	55,625.00
Maximum Allowable Payment (divided by 36 months):	\$1,545.14

Calculating the Actual Payment Amount Earned

The actual payment amount you earn each month under this program is based upon the number of Leadership Car Allowance points you earn. Points are accrued on the basis of Team Volume as follows:

- 5% of your personal Team Volume
- +2% of your first generation Team Volume
- +2% of your second generation Team Volume
- +2% of your third generation Team Volume (if you are at the "paid as" Gold Star level)
- +2% of your fourth generation Team Volume (if you are at the "paid as" Emerald Star level)
- +2% of your fifth generation Team Volume (if you are at the "paid as" Diamond Star level)
- +2% of your sixth generation Team Volume (if you are at the "paid as" Diamond Star level)

Starlight calculates the value of a Leadership Car Allowance point by:

- a. Contributing a maximum of one percent (1%) of the Company's total volume for the month.
- b. Dividing the value of the 1% by the total number of points earned by all of the Leadership Car Allowance Program participants.

$$1\% \text{ of the Company's } \underline{\text{Total Monthly Volume}} = \text{Value of One Point Total Points Earned}$$

For example, if the value of a point for this month is .18 and you have earned a total of 5,200 points your Leadership Car Allowance for this particular month would be \$936.

Calculating Your Monthly Leadership Car Allowance Amount

The Starlight Leadership Car Allowance Program has been designed to reward your organization's performance every month and will pay you on a proportionate basis even if one, two or three of your first level Stars or above fail to reach their \$1,000 monthly Team Volume requirement. Your car allowance is reduced by 25% for every first level Star or above that did not achieve their \$1,000 Team Volume requirement. In all cases you must maintain a Team Volume of \$1,000 to be able to participate in the program during a particular month.

For example, if only three of your first level Stars or above achieve their \$1,000 Team Volume requirement, you would earn 75% of your Leadership Car Allowance.

The Leadership Car Allowance Program has a unique "Unearned Carry Forward" feature which allows you to pick up any unearned allowable credit you may have been entitled to in the early stages of your organization's development. This special feature makes it possible for you to select the vehicle of your choice and grow into it without any penalty or loss of credit due to smaller income levels at the start of your Starlight leadership career.

Calculating Your Unearned Carry Forward

Using the previous example, suppose that during this month you earned 5,200 points (with a point value of .18) for a total Leadership Car Allowance of \$936. Your maximum allowable Leadership Car Allowance is \$1,545.14. Since you only earned \$936, you would have \$609.14 in "Unearned Carry Forward" which can be picked up at a later time as your business grows.

Maximum Allowable Payment	\$ 1,545.14
Payment Earned (6,200 points x .18)	-936.00
Unearned Carry Forward	= <u>\$ 609.14</u>

In a later month, and as your organization grows, you are now earning 9,500 points at the same point value of .18 for a total Leadership Car Allowance of \$1,710.

Because you have "Unearned Carry Forward", you can "pick-up" an additional \$164.86 that month of the previous unpaid/unearned carry-forward amount. This "Unearned Carry Forward" feature continues until your Leadership Car Allowance Program has expired or you have reached the maximum pay out under your program.

Maximum Allowable Payment	\$1,545.14
Unearned Carry Forward	+ <u>164.86</u>
Payment Earned (9,500 points x .18) =	<u>\$ 1,710.00</u>

In the above example, the \$164.86 received from your Unearned Carry Forward is the difference between your Maximum Allowable Monthly Payment and payment earned for that month. It is important to note that if your Unearned Carry Forward balance is zero and your payment earned is greater than your Maximum Allowable Monthly Payment, you will be paid only the amount you have qualified to receive up to the Maximum Allowable Monthly Payment.

Starlight's Leadership Car Allowance Program Questions and Answers:

Q. Does Starlight make my monthly car payment?

A. No. You are responsible for the selection and subsequent payments for the automobile you purchase or lease. Starlight will include a Leadership Car Allowance with your commission check only if the monthly qualification requirements are met.

Q. If I decide to lease a vehicle instead of purchase, is the maximum allowable payment figure the same as if I were to purchase?

A. No. The maximum allowable payment is based upon the monthly lease payment plus the 25%. This amount is then multiplied by the number of months of the lease (which may not exceed 48 months) for the total Leadership Car Allowance Program Amount.

Q. At the end of my lease agreement, can I select the purchase option and use that same vehicle for my next car program?

A. No. The Leadership Car Allowance Program only accepts new vehicles into the program. If you select the purchase option for your leased vehicle, it is then considered a used vehicle.

Q. Suppose I only have \$500 in personal Team Volume during a month. Do I forfeit my entire Leadership Car Allowance for that month even though I have four first level Stars or above each having \$1,000 in Team Volume?

A. Yes. Until you have your \$1,000 in personal Team Volume, nothing else counts in calculating your points for a given calendar month.

Q. Must I retain the same vehicle for the full 24, 36 or 48 months?

A. No. You control your program. If your business improves and you want a higher-priced automobile, you may trade up and increase the maximum Leadership Car Allowance amount for which you are eligible. In order to change your current program, all you need to do is contact the Home Office and request a new Leadership Car Allowance Application and Agreement Form.

Q. If I failed to earn any Leadership Car Allowance one month, would I have to go through the three-month qualification again?

A. No, once you qualify for the program you do not need to requalify. Although you would not receive a Leadership Car Allowance payment that particular month, Starlight would resume payments to you as soon as you and your first level Stars or above meet the monthly minimum performance requirements.

Q. Will I always receive the same Leadership Car Allowance payment each month?

A. Not necessarily. The actual amount you receive each month will depend upon how many points you earned that month and the value of a point for that month.

Q. Does my Team Volume Carry Forward as outlined in the Compensation Plan apply toward my monthly Team Volume qualification requirement for the Leadership Car Allowance?

A. No. You must have a full \$1,000 in Team Volume each month in order to meet this qualification requirement for the Leadership Car Allowance Program.

Q. Who is responsible for the maintenance and liability of my vehicle?

A. While Starlight includes an additional 25% of your vehicle acquisition cost to assist you with the costs of taxes, licensing, insurance, finance charges and maintenance, all liabilities regarding the vehicle including repairs and defects are the responsibility of you and the dealer from whom you acquire the vehicle. Starlight is not responsible for any loss, claim or liability arising out of the purchase, operation or maintenance of the vehicle.

Special Office Overhead Allowance Provision

For those Independent Distributors who qualify to participate in the Leadership Car Allowance Program and do not wish to purchase or lease an automobile, they may participate in the optional Office Overhead Allowance Provision of this program.

Under this optional plan, qualifying Independent Distributors will receive a monthly payment up to a maximum of \$600 which they may use to pay for their office overhead. The Office Overhead Allowance is calculated using the same formula and receipt of payment is based on the same monthly qualification requirements as for the Leadership Car Allowance Program.

The Office Overhead Allowance Provision is for a 24month period and may be renewed. However, Independent Distributors who choose this option may, at any future point in time, decide to purchase or lease an automobile. In that event, the Independent Distributor will be eligible for the regular Leadership Car Allowance Program benefits as outlined above.