

# Direct Cellars

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## **POLICIES AND PROCEDURES v1.0**

### **1.0 INTRODUCTION**

#### **1.1 Mutual Commitment Statement**

Direct Cellars LLC (hereafter as “Direct Cellars” and the “Company”) recognizes that in order to develop a long-term and mutually rewarding relationship with its sales force (“Representatives” or “Reps” used interchangeably) and Customers, Direct Cellars and its Reps must acknowledge and respect the true nature of the relationship and support the Customers.

- A. In the spirit of mutual respect and understanding, Direct Cellars is committed to:
- I. Provide prompt, professional and courteous service and communications to all of its Reps and Customers;
  - II. Provide the highest level of membership access to wine, at fair and reasonable prices;
  - III. Exchange or refund the purchase price of our membership as provided in our *Refund and Return Policy*;
  - IV. Pay commissions accurately and on a timely basis;
  - V. Expedite orders or checks if an error or unreasonable delay occurs;
  - VI. Roll out new aspects and phases of a membership with Representative input and planning;
  - VII. Implement changes in the Compensation Plan or Policies and Procedures that affect Reps with input from the Reps;
  - VIII. Support, protect and defend the integrity of the Direct Cellars Business Opportunity;
  - IX. Offer Reps an opportunity to grow with Direct Cellars with such growth guided by the principles of Servant Leadership.
- B. In return, Direct Cellars expects that its Representatives to:
- I. Conduct themselves in a professional, honest, and considerate manner;
  - II. Present Direct Cellars Corporate and membership information in an accurate and professional manner;
  - III. Present the Compensation Plan and Return Policy in a complete and accurate manner;

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- IV. Not make exaggerated income claims;
- V. Make reasonable effort(s) to support and train Reps and Customers in their downline;
- VI. Not engage in cross-line recruiting, unhealthy competition or unethical business practices;
- VII. Provide positive guidance and training to Reps and Customers in their downline while exercising caution to avoid interference with other downlines. As such, a Rep is discouraged from providing cross-line training to a Representative or Customer in a different organization without first obtaining consent of the Representative's or Customer's upline leader;
- VIII. Support, protect, and defend the integrity of the Direct Cellars Business Opportunity; and
- IX. Accurately complete and submit the Rep Agreement and any requested supporting documentation in a timely manner.

## **1.2 Direct Cellars Policies and Compensation Plan Incorporated into the Representative Agreement**

- A. Throughout these Policies, when the term "Agreement" is used, it collectively refers to the Direct Cellars Rep or Business Entity Agreement, these Policies and Procedures, and the Direct Cellars Compensation Plan.
- B. It is the responsibility of the Sponsoring Rep to provide the most current version of these Policies and Procedures (available on the Direct Cellars website, [www.directcellars.com](http://www.directcellars.com)) and the Direct Cellars Compensation Plan to each applicant prior to his, her and/or its execution of a Rep Agreement.

## **1.3 Purpose of Policies**

- A. Direct Cellars is a direct sales company that markets a wine club membership through a network of independent representatives. To clearly define the relationship that exists between Reps and Direct Cellars, and to explicitly set a standard for acceptable business conduct, the Company has established these Policies and Procedures.
- B. Direct Cellars Reps are required to comply with: (i) all of the Terms and Conditions set forth in the Rep Agreement, which Direct Cellars may amend from time to time in its sole discretion; (ii) all federal, state, provincial, territorial, and/or local laws governing his, her and/or its Direct Cellars business; and (iii) these Policies and Procedures.

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- C. Direct Cellars Reps must review the information in these Policies and Procedures carefully. Should a Rep have any questions regarding a policy or rule, he/she or it is encouraged to seek an answer from their Sponsor or any other upline Representative. If further clarification is needed, the Rep may contact Direct Cellars Compliance Department.

## 1.4 Changes, Amendments, and Modifications

- A. Because federal, state, and local laws, as well as the business environment, periodically change, Direct Cellars reserves the right to amend the Agreement and membership prices *in its sole and absolute discretion*. Notification of amendments shall appear in Official Direct Cellars Materials. ***This provision does NOT apply to the arbitration clause found in Section 13, which can only be modified via mutual consent.***
- B. Any such amendment, change, or modification shall be effective immediately upon notice by one of the following methods:
  - I. Posting on the official Direct Cellars website;
  - II. Electronic mail (e-mail); or
  - III. In writing through the Direct Cellars newsletters or other Direct Cellars communication channels.

The continuation of a Rep's participation in the Direct Cellars business or the acceptance bonuses or commissions constitutes acceptance of any and all changes, amendments, and modifications.

## 1.5 Delays

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

## 1.6 Effective Date

These Policies and Procedures shall become effective as of May 12, 2017, and, at such time, shall automatically supersede any prior Policies and Procedures (the "Old Policies and Procedures"), and, on that date, the old Policies and Procedures shall cease to have any force or effect.

## 2.0 BASIC PRINCIPLES

### 2.1 Becoming A Direct Cellars Representative

- A. To become a Rep, an applicant must comply with the following requirements:

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- I. Be twenty-one (21) years or older in his or her state of residence;
- II. Reside or have a valid address in the United States, a U.S. territory, or other place in which Direct Cellars has officially announced it is open for business;
- III. Have a valid taxpayer identification number (i.e. Social Security Number, Federal Tax ID Number, etc.);
- IV. Submit a properly completed and signed Rep Agreement to Direct Cellars (or in the case of a Business entity, any and all appropriate documents);
- V. Not be a Direct Cellars employee, the Spouse of a Direct Cellars employee or immediately related to an employee of Direct Cellars and living in the same household as such Direct Cellars employee.

## **2.2 New Representative Registration**

- A. A potential new Rep may self-enroll on the Sponsor's website. In such event, instead of a physically signed Rep Agreement, Direct Cellars will accept the web-enrollment and Rep Agreement by accepting the "electronic signature" stating the new Rep has accepted the Terms and Conditions of such Rep Agreement. Please note that such electronic signature constitutes a legally binding agreement between the Rep and Direct Cellars.
- B. Direct Cellars reserves the right to require signed paperwork for any account, regardless of origin.
- C. If requested, the signed Rep Agreement must be received by Direct Cellars within fourteen (14) days of enrollment.
- D. Signed documents, including, but not limited to, Rep personal agreements, are legally binding contracts which must not be altered, tampered with or changed in any manner after they have been signed. False or misleading information, forged signatures or alterations to any document, including business registration forms, made after a document has been signed may lead to sanctions, up to and including involuntary termination of the Rep's business.

## **2.3 Rights Granted**

- A. Direct Cellars hereby grants to the Rep a non-exclusive right, based upon the Terms and Conditions as provided by the Company in the Rep Agreement and these Policies and Procedures, to:
  - I. Purchase memberships to the Direct Cellars wine club;

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- II. Promote and refer Customers and Reps to purchase memberships to the Company wine club; and
- III. Sponsor new Reps and Customers in the United States and in countries where Direct Cellars may become established after the effective date of these Policies and Procedures, thereby participating in the Direct Cellar's Compensation Plan (and receive bonuses and commissions, if eligible).

## **2.4 Identification Numbers**

- A. Each Rep is required to provide his or her Social Security Number or Federal Tax Identification Number, if located in the United States or any of its territories, to Direct Cellars on the Rep Agreement. Direct Cellars reserves the right to withhold commission payments from any Rep who fails to provide such information or who provides false information.
- B. Upon enrollment, Direct Cellars will provide a Direct Cellars Identification Number to the Representative. This number will be used to place orders, structure organizations, and track commissions and bonuses.

## **2.5 Business Entities**

- A. A corporation, partnership, LLC, or trust (collectively referred to as a "Business Entity") may apply to be a Direct Cellars Rep. This Rep business and position will remain *temporary* until the proper documents are submitted. The Business Entity must submit one of the following documents: Certificate of Incorporation, Articles of Organization, Partnership Agreement or appropriate Trust documents. Direct Cellars must receive these documents within fourteen (14) days from the date the Rep Agreement was signed.
- B. A Direct Cellars Rep may change their status under the same Sponsor from an individual to a partnership, LLC, corporation, trust or from one type of business entity to another.

## **2.6 Independent Business Relationship; Indemnification for Actions**

- A. The Direct Cellars Rep is an independent contractor, and not a purchaser of a franchise or business opportunity. Direct Cellars is strictly a membership club in which each Rep's success depends on his or her independent efforts.
- B. The Agreement between Direct Cellars and its Reps does not create an employer/employee relationship, agency, partnership, or joint venture between Direct Cellars and the Representative. A Rep is not entitled to Workers' Compensation, unemployment benefits or any other employee type benefit from Direct Cellars or by virtue of his or her status with the Company. The Rep has no authority (express or implied) to bind the Company to any obligation. Each Rep is responsible for establishing his or her own goals, hours, and methods of sales so long as in compliance with the terms of the Rep Agreement and applicable laws.

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- C. A Direct Cellars Rep shall not be treated as an employee of Direct Cellars for any purposes, including, without limitation, for federal, state, or foreign tax purposes. All Reps are responsible for paying local, state, provincial, and federal taxes due from all compensation earned as a Representative of Direct Cellars. Any other compensation received by Reps from Direct Cellars will be governed by applicable U.S. or foreign tax laws (or the tax laws of any other applicable jurisdiction). The Rep has no express or implied authority to bind Direct Cellars to any obligation or to make any commitments by or on behalf of Direct Cellars. Each Rep, whether acting as management of a Business Entity or represented as an individual, shall establish his or her own goals, hours, and methods of operation and sale, so long as he or she complies with the Terms of the Rep Agreement, these Policies and Procedures and applicable state, federal and foreign laws.
- D. The Direct Cellars Rep is fully responsible for all of his or her verbal and written communications made regarding the Direct Cellars membership and the Compensation Plan that are not expressly contained within official Direct Cellars materials. Reps shall indemnify and hold harmless Direct Cellars, its directors, officers, employees, product suppliers and agents from any and against all liability including judgments, civil penalties, refunds, attorney fees and court costs incurred by Direct Cellars as a result of the Rep's unauthorized representations or actions. **This Provision shall survive the termination of the Direct Cellars Rep Agreement.**

## 2.7 Governmental Approval

- A. Neither federal, provincial, nor state regulatory agencies approve or endorse any direct selling or network marketing companies or programs. Therefore, Reps shall not represent or imply that Direct Cellars or its Compensation Plan has been "approved," "endorsed" or otherwise sanctioned by any applicable governmental agency.

## 2.8 Errors or Questions

- A. If a Representative has questions about, or believes any errors have been made regarding commissions, bonuses, business reports, orders, or charges, the Rep must notify Direct Cellars in writing within thirty (30) days of the date of the error or incident in question. Any such errors, omissions or problems not reported within thirty (30) days shall be deemed waived by the Rep.

## 3.0 DIRECT CELLARS REPRESENTATIVE RESPONSIBILITIES

### 3.1 Membership Sales

- A. As already mentioned, the Company's Compensation Plan is based upon sale of wine club memberships to end consumers. Reps must fulfill personal and marketing organizational referral requirements (as well as meet other responsibilities set forth in this Agreement) to be eligible for bonuses, commissions and/or advancement to higher levels of achievement.

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## 3.2 Correct Addresses

- A. It is the responsibility of the Rep or Customer to make sure Direct Cellars has the correct shipping address before any orders are shipped.
- B. A Rep or Customer will need to allow up to thirty (30) days for processing after the notice of address change has been received by Direct Cellars.
- C. A Rep or Customer may be assessed a \$20 fee for returned shipments due to an incorrect shipping address.

## 3.3 Training and Leadership

- A. Any Direct Cellars Rep who Sponsors another Rep into Direct Cellars must perform an authentic assistance and training function to ensure his or her downline is properly operating his or her Direct Cellars business. Sponsoring Representatives should have ongoing contact and communication with the Reps in their downline organizations. Examples of communication may include, but are not limited to, newsletters, written correspondence, telephone, contact, team calls, voice-mail, e-mail, personal meetings, accompaniment of downline Reps to Direct Cellars meetings, training sessions and any other related functions.
- B. A Sponsoring Direct Cellars Representative should monitor the Reps in his or her downline organizations to ensure that downline Reps do not make improper membership or business claims, or engage in any illegal or inappropriate conduct. Upon request, such Rep should be able to provide documented evidence to Direct Cellars of his or her ongoing fulfillment of the responsibilities of a Sponsor.
- C. Upline Representatives are encouraged to motivate and train new Reps about Direct Cellars' membership offering, effective sales techniques, the Direct Cellars Compensation Plan and compliance with company Policies and Procedures.
- D. Marketing of the wine club membership is a required activity in Direct Cellars and must be emphasized in all recruiting presentations.
- E. The Company emphasizes, encourages and prioritizes all Reps to refer the Direct Cellars wine club membership to Customers.
- F. Use of Sales Aids. To promote both the wine membership and the opportunity Direct Cellars offers, Reps must use the sales aids and support materials produced by Direct Cellars. If Direct Cellars Reps develop their own sales aids and promotional materials, which includes Internet advertising, notwithstanding Reps' good intentions, they may unintentionally violate any number of statutes or regulations affecting the Direct Cellars business. These violations, although they may be relatively few in number, could jeopardize the Direct Cellars opportunity for all Reps. Accordingly, Reps must submit all written sales aids, promotional materials, advertisements, websites and other literature to the Company for Company's approval prior to

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use. Unless the Rep receives specific written approval to use the material, the request shall be deemed denied. All Reps shall safeguard and promote the good reputation of the Company and the membership it offers. The marketing and promotion of Direct Cellars, the Direct Cellars opportunity, the Compensation Plan, and the wine club membership shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

## **3.4 Constructive Criticism; Ethics**

- A. Direct Cellars desires to provide its independent Reps with access to the best wine and Compensation Plan in the industry. Accordingly, Direct Cellars values constructive criticism and encourages the submission of written comments addressed to Direct Cellars Compliance Department.
- B. Negative and disparaging comments about Direct Cellars, its membership offering or Compensation Plan, made by Reps and directed to Direct Cellars, other participants in the field, at Direct Cellars meetings or events, or disruptive behavior at Direct Cellars meetings/events, serve no purpose other than to dampen the enthusiasm of other Direct Cellars Representatives. Direct Cellars Reps must not belittle Direct Cellars, other Direct Cellars Reps, the wine club membership, the Compensation Plan, or Direct Cellars directors, officers, or employees, product suppliers or agents. Such conduct represents a material breach of these Policies and Procedures and may be subject to sanctions as deemed appropriate by Direct Cellars.
- C. Direct Cellars endorses the following code of ethics, which Representative hereby warrants, promises, and agrees to:
  - I. Show fairness, tolerance, and respect to all people associated with Direct Cellars, regardless of race, gender, social class or religion, thereby fostering a “positive atmosphere” of teamwork, good morale and community spirit.
  - II. Strive to resolve business issues, including situations with upline and downline Reps, by emphasizing tact, sensitivity, good will and the care not to create additional problems.
  - III. Be honest, responsible, professional and conduct themselves with integrity, and perform business functions in a manner which will enhance their own reputation and the positive reputation of the Company.
  - IV. Refrain from the utterance of disparaging statements about Direct Cellars, other Reps, Direct Cellars employees, product suppliers or agents, membership offering, sales and marketing campaigns, or the Compensation Plan, or make statements that unreasonably offend, mislead or coerce others.
  - V. Abstain from any deceptive or unfair acts or practices.



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- D. Direct Cellars may take appropriate action against a Rep if it determines, in its sole discretion, that a Rep's conduct is detrimental, disruptive, or injurious to Direct Cellars or to other Representatives.

## **3.5 Reporting Policy Violation**

- A. A Rep who observes a policy violation by another Rep should submit a written and signed letter (e-mail will not be accepted) of the violation directly to the Direct Cellars Corporate office. The letter shall set forth the details of the incident as follows:
  - I. The nature of the violation;
  - II. Specific facts to support the allegations;
  - III. Dates;
  - IV. Number of occurrences;
  - V. Persons involved; and
  - VI. Supporting documentation
- B. Once the matter has been presented to Direct Cellars, it will be researched thoroughly by the Compliance Department and appropriate action will be taken if required.
- C. This section refers to the general reporting of Policy violations as observed by other Representatives for the mutual effort to support, protect, and defend the integrity of the Direct Cellars business and opportunity. If a Rep has a grievance or complaint against another Rep which directly relates to his or her Direct Cellars business, the Procedures set forth in these Policies must be followed.

## **3.6 Sponsorship**

- A. The Sponsor is the person who introduces a Rep or Customer to Direct Cellars, helps them complete their enrollment, and supports and trains those in their downline.
- B. Direct Cellars recognizes the Sponsor as the name(s) shown on the first:
  - I. Physically signed Direct Cellars Rep Agreement on file; or
  - II. Electronically signed Rep Agreement from a website or a Direct Cellars Rep's website.
- C. A Rep Agreement that contains notations such as "by phone" or the signatures of other individuals (i.e. Sponsors, Spouses, relatives, or friends) is not valid and will not be accepted by Direct Cellars.

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- D. Direct Cellars recognizes that each new prospect has the right to ultimately choose his or her own Sponsor, but Direct Cellars will not allow Representatives to engage in unethical sponsoring activities.
- E. All active Representatives in good standing have the right to Sponsor and enroll others into Direct Cellars. While engaged in sponsoring activities, it is not uncommon to encounter situations when more than one Rep will approach the same prospect. It is the accepted courtesy that the new prospect will be sponsored by the first Rep who presented a comprehensive introduction to Direct Cellars membership or business opportunity.
- F. A *Protected Prospect* is a guest of any Direct Cellars Rep or Customer who attended a Direct Cellars event or conference call. For sixty (60) days following the event, a Protected Prospect cannot be solicited or sponsored by any other Direct Cellars Rep who attended the same event. A Direct Cellars event can be defined as the following:
  - I. Any Direct Cellars training session;
  - II. Conference call;
  - III. Fly-in meeting; or
  - IV. Presentation, including but not limited to a Direct Cellars at home presentation, whether sponsored by Direct Cellars, a Representative, a Customer, or an agent or agency designated by Direct Cellars.

## **3.7 Cross Sponsoring Prohibition**

- A. “Cross sponsoring” is defined as the enrollment into a different line of sponsorship of an individual, or Business Entity, that already has a signed Rep Agreement. Actual or attempted cross sponsoring is not allowed. If cross sponsoring is verified by Direct Cellars, sanctions up to and including termination of a Rep’s business may be imposed.
- B. The use of a Spouse’s or relative’s name, trade names, assumed names, DBA names, corporation, partnership, trust, federal ID numbers, or fictitious ID numbers to evade or circumvent this Policy is not permitted.
- C. This Policy does not prohibit the transfer of a Direct Cellars business in accordance with Direct Cellars Sale or Transfer Policy set forth in these Policies.

## **3.8 Adherence to the Direct Cellars Compensation Plan**

- A. A Rep must adhere to the Terms of the Direct Cellars Compensation Plan as set forth in these Policies and Procedures as well as in official Direct Cellars literature. Deviation from the Compensation Plan is prohibited.

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- B. A Rep shall not offer the Direct Cellars opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Direct Cellars literature.
- C. A Rep shall not require or encourage a current or prospective Customer or Rep to participate in Direct Cellars in any manner that varies from the Compensation Plan as set forth in official Direct Cellars literature.
- D. A Rep shall not require or encourage a current or prospective Customer or Rep to make a purchase from or payment to any individual or other entity as a condition to participating in the Direct Cellars Compensation Plan, other than such purchases or payments required to naturally build their business.

### **3.9 Adherence to Laws and Ordinances**

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

### **3.10 Compliance with Applicable Income Tax Laws**

- A. Direct Cellars will automatically provide a complete 1099 Miscellaneous Income Tax form (nonemployee compensation) to each US Rep whose earnings for the year is at least \$600 or who received trips, prizes or awards valued at \$600 or more. If earnings are less than stated above, IRS forms will be sent only at the request of the Rep, and a minimum charge of \$20 may be assessed by Direct Cellars.
- B. A Rep accepts sole responsibility for and agrees to pay all federal, state, local and otherwise applicable taxes on any income generated as an independent Representative, and further agrees to indemnify Direct Cellars from any failure to pay such tax amounts when due.
- C. If a Rep's business is tax exempt, the Federal Tax Identification number must be provided to Direct Cellars in writing.
- D. Direct Cellars encourages all Reps to consult with a tax advisor for additional information for their business.

### **3.11 One Direct Cellars Business per Representative**

- A. A Rep may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one (1) Direct Cellars business. No

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individual may have, operate or receive compensation from more than one Direct Cellars businesses. Individuals of the same family unit may each enter into or have an interest in their own separate Direct Cellars businesses, only if each subsequent family position is placed frontline to the first family member enrolled. A “family unit” is defined as Spouses and dependent children living at or doing business at the same address.

## **3.12 Actions of Household Members or Affiliated Parties**

If any member of a Representative’s immediate household engages in any activity which, if performed by the Rep, would violate any provision of the Agreement, such activity will be deemed a violation by the Rep and Direct Cellars may take disciplinary action pursuant to these Policies and Procedures. Similarly, if any individual associated in any way with a corporation, partnership, LLC, trust or other entity (collectively “Business Entity”) violates the Agreement, such action(s) will be deemed a violation by the Business Entity, and Direct Cellars may take disciplinary action against the Business Entity. Likewise, if a Rep enrolls in Direct Cellars as a Business Entity, each Affiliated Party of the Business Entity shall be personally and individually bound to, and must comply with, the Terms and Conditions of the Agreement.

## **3.13 Solicitation for Other Companies or Products**

- A. A Direct Cellars Representative may participate in other direct sales, multilevel, network marketing or relationship marketing business ventures or marketing opportunities. However, during the Term of this Agreement and for two (2) year thereafter, a Direct Cellars Rep may not recruit any Direct Cellars Rep or Customer for any other direct sales or network marketing business, unless that Rep or Customer was personally sponsored by such Rep.
- B. The term “recruit” means actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way (either directly or through a third party), another Rep or Customer to enroll or participate in any direct sales or network marketing opportunity. This conduct represents recruiting even if the Rep’s actions are in response to an inquiry made by another Representative or Customer.
- C. During the term of this Agreement and for a period of one (1) year thereafter, any Direct Cellars Rep must not sell, or entice others to sell, any competing products or services, including training materials, to Direct Cellars Customers or Reps. Any offering in the same category as a Direct Cellars wine club membership is deemed to be competing (i.e., any competing wine membership regardless of differences in cost or quality. This provision does not apply where professional services are the primary source of revenue and the product sales are secondary (e.g., doctor’s offices, clinics, health clubs, spas and beauty salons).
- D. A violation of any of the provisions in this section shall constitute unreasonable and unwarranted contractual interference between Direct Cellars and its Representatives and would inflict irreparable harm on Direct Cellars. In such event, Direct Cellars may, at its sole discretion, impose any sanction it deems necessary and appropriate against such Rep or such

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Rep's business including termination, or seek immediate injunctive relief without the necessity of posting a bond.

## **3.14 Presentation of the Direct Cellars Opportunity**

A. In presenting the Direct Cellars opportunity to potential Customers and Representatives, a Rep is required to comply with the following provisions:

- I. A Rep shall not misquote or omit any significant material fact about the Compensation Plan.
- II. A Rep shall make it clear that the Compensation Plan is based upon the referral of Direct Cellars wine club memberships to end users and upon the sponsoring of other Reps.
- III. A Rep shall make it clear that success can be achieved only through substantial independent efforts.
- IV. A Direct Cellars Rep shall not make unauthorized income projections, claims, or guarantees while presenting or discussing the Direct Cellars opportunity or Compensation Plan to prospective Representatives or Customers.
- V. A Rep may not make any claims regarding the membership or wine offered as part of the Direct Cellars membership, except as that which is contained in official Company literature.
- VI. A Rep may not use official Direct Cellars material to promote the Direct Cellars business opportunity in any country where Direct Cellars has not established a "presence."
- VII. In an effort to conduct best business practices, Direct Cellars has developed the Income Disclosure Statement ("IDS"). The Direct Cellars IDS is designed to convey truthful, timely, and comprehensive information regarding the income that Direct Cellars Reps earn. In order to accomplish this objective, a copy of the IDS must be presented to all prospective Representatives.

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

The terms "income claim" and/or "earnings representation" (collectively "income claim") include; (1) statements of average earnings, (2) statements of non-average earnings, (3) statements of earnings ranges, (4) income testimonials, (5) lifestyle claims, and (6) hypothetical claims. Examples of "statements of non-average earnings" include, "Our number one Representative earned over a million dollars last year" or "Our

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average ranking Rep makes five thousand per month.” An example of a “statement of earnings ranges” is “The monthly income for our higher ranking Representatives is ten thousand dollars on the low end to thirty thousand dollars a month on the high end.”

## **3.15 Sales Requirements are governed by the Compensation Plan**

- A. There are no exclusive territories granted to anyone. No franchise fees are applicable to a Direct Cellars business.
- B. The Direct Cellars program is built on membership sales to its Representatives and Customers. Representatives are not permitted to resale any wine obtained by way of the membership program. Wine shipped to a Representative’s home is for personal use only and not intended to serve as inventory for retail sales. Retail sales of alcohol require special licensure and is expressly forbidden by Direct Cellars.

## **4.0 ORDERING**

### **4.1 General Order Policies**

- A. “Bonus Buying” is strictly and absolutely prohibited. Bonus Buying includes; (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Agreement by such individuals or Business Entities; (b) the fraudulent enrollment of an individual or entity as a Representative or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or Business Entities as Representatives or Customers (“phantoms”); (d) purchasing a Direct Cellars membership on behalf of another Representative or Customer, or under another Representative’s or Customer’s ID number, to qualify for commissions or bonuses; (e) purchasing memberships that cannot reasonably be used in a month; and/or (f) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions, or bonuses that is not driven by bona fide membership purchases by end user consumers.

A Representative shall not use another Rep’s or Customer’s credit card or debit checking account to enroll in Direct Cellars or purchase the wine club membership without the account holder’s *written permission*. Such documentation must be kept by the Rep indefinitely in case Direct Cellars needs to reference this.

- B. Regarding an order with an invalid or incorrect payment, Direct Cellars will attempt to contact the Rep by phone, mail or e-mail in order to obtain another form of payment. If these attempts are unsuccessful after ten (10) business days, the order will be canceled.
- C. If a Rep wants to move an order to another Rep’s position, he or she must have prior authorization, of all parties involved. Direct Cellars will charge the Rep a \$20 fee for processing.
- D. Prices are subject to change without notice.

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- E. A Representative or Customer who is the recipient of an incorrect order must notify Direct Cellars within thirty (30) calendar days from receipt of the order and follow the Procedures as set forth in these Policies.

## 4.2 Insufficient Funds

- A. All checks returned for insufficient funds will be re-submitted for payment. A \$35 fee will be charged to the account of the Rep or Customer for all returned checks and insufficient funds.
- B. Any outstanding balance owed to Direct Cellars by a Rep or Customer from NSF (non-sufficient funds) checks, returned check fees or insufficient fund fees (ACH) will be withheld by Direct Cellars from a Sponsoring Representative's future bonus and commission checks.
- C. All transactions involving returned checks or insufficient funds through ACH or credit card, which are not resolved in a timely manner by the Rep, constitute grounds for disciplinary sanctions.
- D. If a credit card order or automatic debit is declined the first time, the Customer or Representative will be contacted for an alternate form of payment. If payment is declined a second time, the Customer or Representative may be deemed ineligible to purchase a Direct Cellars membership.

## 4.3 Chargebacks

- A. When a card processor forcibly reverses a credit card transaction, resulting in a return of funds to the cardholder, this is known as a chargeback. When Direct Cellars receives a chargeback notice, the account in which the service was purchased is immediately blocked, and all related services in the account are terminated. Direct Cellars takes chargebacks very seriously and always assumes such transactions to be the result of fraud.
- B. If a chargeback was requested inadvertently, a Rep must contact the credit card provider and issue a chargeback reversal. Reversing the chargeback is the only way to restore a blocked account.

## 4.4 Shipping Charges

On May 1, 2017, the Company initiated the inclusion of certain shipping charges in Customers' and Representatives' membership payments. In addition to the membership fee itself, the Company has provided an itemized breakdown herein of these additional shipping charges applicable for each monthly shipment, excluding Alaska, Hawaii and Puerto Rico. Currently, shipping charges are a flat rate regardless of shipment destination in the continental United States (to the exclusion of Alaska, Hawaii and Puerto Rico where additional charges already apply). Dependent upon the shipment size of a Customer or Member's order, the prices for specific shipments are as follows:

- I. \$6.99 for a two (2) bottle shipment;

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- II. \$9.99 for a four (4) bottle shipment;
- III. \$12.99 for an eight (8) bottle shipment; and
- IV. \$14.99 for a twelve (12) bottle shipment.

Customers and Representatives agree these prices are subject to future modification or change.

## **5.0 PAYMENT OF COMMISSIONS & BONUSES**

### **5.1 Bonus and Commission Qualifications**

- A. A Rep must be active and in compliance with Direct Cellars Policies and Procedures to qualify for bonuses and commissions. So long as a Rep complies with the Terms of the Agreement, Direct Cellars shall pay commissions to such Rep in accordance with the Compensation Plan.
- B. Direct Cellars will not issue a payment to a Rep without the receipt of a completed and signed Direct Cellars Rep Agreement or Electronic Authorization.
- C. Direct Cellars reserves the right to postpone bonus and commission payments until such time the cumulative amount exceeds \$25.

### **5.2 Computation of Commissions and Discrepancies**

- A. In order to qualify to receive commissions and bonuses, a Rep must be in good standing and comply with the Terms of the Agreement and these Policies and Procedures. Commissions, bonuses, overrides, and achievement levels are calculated each month.
- B. A Direct Cellars Rep must review his or her monthly statement and bonus/commission reports promptly and report any discrepancies within thirty (30) days of receipt. After the thirty-day "grace period," no additional requests will be considered for commission recalculations.
- C. For additional information on payment of commissions, please review the Compensation Plan.

### **5.3 Adjustments to Bonuses and Commissions for Refunded Rep Memberships.**

- A. A Rep receives bonuses and commissions based on the actual referral and sale of wine club memberships to end consumers and to Reps through membership purchases. When a refund of the Direct Cellars membership is requested within sixty (60) days or two (2) full calendar months by an end consumer or Rep, the bonuses and commissions attributable from the membership will be deducted from the Rep who received bonuses or commissions on such sales. Deductions will occur in the month in which the refund is given and continue every pay period thereafter until the bonus/and or commission is recovered.



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- B. In the event that a Rep terminates his or her business, and the amounts of the bonuses or commissions attributable to the returned memberships have not yet been fully recovered by Direct Cellars, the remainder of the outstanding balance may be offset against any other amounts that may be owed by Direct Cellars to the terminated Rep.

## 6.0 Refund and Return Policy

Direct Cellars offers Reps and Customers a one hundred percent (100%) money back guarantee within three (3) days from the initial purchase of the wine club membership. Any refund request after the initial three days will automatically deduct the value of any wine already shipped or received, as well as any shipping and handling charges incurred. If a Customer or Representative refuses delivery of the wine shipment after the refund request of his or her membership, Direct Cellars agrees to refund the amount attributable to said refused wine shipment less any return shipping cost.

Upon cancellation of the Agreement, the Rep may return all generic sales aids purchased within one (1) year from the date of cancellation for a refund if he or she is unable to sell or use the merchandise. A Rep may only return sales aids he or she personally purchased from the Company under his or her Rep Identification Number, and which are in Resalable condition. Any custom orders of printed sales aids (i.e. business cards, brochures, etc.) whereon the Rep's contact information is imbedded or hard printed, or has been added by the Rep, are not able to be returned in resalable condition thus are nonrefundable. Upon Direct Cellars receipt of the sales aids, the Rep will be reimbursed ninety percent (90%) of the net cost of the original purchase price(s), less shipping and handling charges. If the purchases were made through a credit card, the refund will be credited back to the same credit card account. The Company shall deduct from the reimbursement paid to the Rep any commissions, bonuses, rebates or other incentives received by the Rep which were associated with the merchandise that is returned.

## 6.1 Return Process

- A. In the event of the receipt of a damaged shipment of wine, a Direct Cellars Customer or Representative may request the replacement of the damaged shipment. Because the wine included within the Direct Cellars club membership comes from a product supplier, Direct Cellars will provide Customers or Representatives with support and assistance in their efforts to contact supplier.
- B. Upon assisting the Customer or Representative with contacting the product supplier, the Customer or Representative agrees to abide by and acquiesce to said supplier's return process.
- C. The return of \$250.00 or more worth of wine accompanied by a request for a refund/replacement within one (1) calendar year by a Representative may constitute grounds for involuntary termination.

## 7.0 PRIVACY POLICY

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## **7.1 Introduction**

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

## **7.2 Expectation of Privacy**

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

## **7.3 Employee Access to Information**

Direct Cellars limits the number of employees who have access to Customer's and Representative's nonpublic personal information.

## **7.4 Restrictions on the Disclosure of Account Information**

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

## **8.0 PROPRIETARY INFORMATION AND TRADE SECRETS**

### **8.1 Business Reports, Lists, and Proprietary Information**

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

### **8.2 Obligation of Confidentiality**

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- A. During the Term of the Direct Cellars Rep Agreement and for a period of five (5) years after the termination or expiration of the Rep Agreement, the Rep shall not:
  - I. Use the information in the Reports to compete with Direct Cellars or for any purpose other than promoting his or her Direct Cellars business;
  - II. Use or disclose to any person or entity any confidential information contained in the Reports, including the replication of the genealogy in another network marketing company.
  - III. Use any confidential information as it relates to Company's third-party vendors and/or suppliers that were unknown to Rep at the time of his, her, or its contract with Direct Cellars.

## **8.3 Breach and Remedies**

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

## **8.4 Return of Materials**

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

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

### **9.1 Labeling, Packaging, and Display of Direct Cellar Merchandise**

- A. A Direct Cellars Rep may not re-label, re-package, refill, or alter labels of any Direct Cellars package or merchandise, information, materials or program(s) in any way. Any such re-labeling or re-packaging violates federal, and state and otherwise applicable laws, which may result in criminal or civil penalties or liability.
- B. A Direct Cellars Rep shall not cause any Direct Cellars membership or any Direct Cellars trade name to be sold or displayed in retail establishments except:
  - I. Where the retail establishment is owned or managed by the Rep and the store does not exceed \$1 million in annual gross revenue, and there are five (5) or fewer stores under common ownership of management.

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- C. Upon the prior written approval from the Company, only one (1) Rep at a time may advertise Direct Cellars memberships and display the Direct Cellars trade name at any appropriate display booth (such as trade shows).
- D. Direct Cellars reserves the right to refuse authorization to participate at any function that it does not deem a suitable forum for the promotion of its membership offering or the Direct Cellars opportunity.
- E. A Representative acknowledges he, she, or it is strictly prohibited from retailing the wine included within one's Direct Cellars membership. Instead, a Rep should focus his, her, or its efforts on the successful referral of memberships to end users and prospective representatives.

## 9.2 Use of Company Names and Protected Materials

- A. A Direct Cellars Rep must safeguard and promote the good reputation of Direct Cellars and the membership it markets. The marketing and promotion of Direct Cellars, the Direct Cellars opportunity, the Compensation Plan, and Direct Cellars memberships will be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct and practices.
- B. All promotional materials supplied or created by Direct Cellars must be used in their original form and cannot be changed, amended or altered except with prior written approval from the Direct Cellars Compliance Department.
- C. The name of Direct Cellars, each of its membership offerings and other names that have been adopted by Direct Cellars in connection with its business are proprietary trade names, trademarks and service marks of Direct Cellars. As such, these marks are of great value to Direct Cellars and are supplied to Reps for their use only in an expressly authorized manner.
- D. A Direct Cellars Rep's use of the name "Direct Cellars" is restricted to protect Direct Cellars proprietary rights, ensuring that the Direct Cellars protected names will not be lost or compromised by unauthorized use. Use of the Direct Cellars name on any item not produced by Direct Cellars is prohibited except as follows:
  - I. [Rep's name] Direct Cellars Representative
  - II. [Rep's name] Representative of Direct Cellars Wine Club Memberships.
- E. Further procedures relating to the use of the Direct Cellars name are as follows:
  - I. All stationary (i.e. letterhead, envelopes, and business cards) must bear the specific *red* logo provide by the company, or otherwise authorized in writing by the Direct Cellars Compliance Department.

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- II. Direct Cellars Reps may list “Direct Cellars Representative” or “DC Representative” in the white pages of the telephone directory under his or her own name.
- III. Direct Cellars Reps may not use the name Direct Cellars or Direct Cellars in answering his or her telephone, creating a voice message or using an answering service, such as to give the impression to the caller that they have reached the corporate office. They may state, “Direct Cellars Representative.”
- F. Certain photos and graphic images used by Direct Cellars in its advertising, packaging, and websites are the result of paid contracts with outside vendors that do not extend to Reps. If a Reps wants to use these photos or graphic images, they must first receive written permission from the Company.
- G. A Direct Cellars Rep shall not appear on or make use of television or radio, or make use of any other media to promote or discuss Direct Cellars memberships without prior written permission from the Company Compliance Department.
- H. A Rep may not produce for sale or distribution any Company event or speech, nor may a Rep reproduce Direct Cellars audio or video clips for sale or for personal use without prior written permission from the Direct Cellars Compliance Department.
- I. Direct Cellars reserves the right to rescind its prior approval of any sales aid or promotional material to comply with changing laws and regulations and may request the removal from the marketplace of such materials without financial obligation to the affected Representative.
- J. A Rep shall not promote non-Direct Cellars products or services in conjunction with Direct Cellars membership on the same websites or same advertisement without prior approval from Direct Cellars Compliance.

## 9.3 **Wine Sharing/Tasting**

- A. For any instance where a Rep shares Direct Cellars wine, the Company eschews responsibility for the actions or conduct of said Rep and anyone sharing the wine. Rep understands and unilaterally accepts the risk and social liability arising out of sharing.

## 9.4 **E-mail Limitations**

- A. Except as provided in this section, a Rep may not use or transmit unsolicited email, mass email distribution, or “spamming” that advertises or promotes the operation of his or her Direct Cellars business. The exceptions are:
  - I. E-mailing any person who has given prior permission or invitation;
  - II. E-mailing any person with whom the Rep has established a prior business or personal relationship.

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- B. In all states or otherwise applicable areas where prohibited by law, a Rep may not transmit, or cause to be transmitted through a third party, (by telephone, facsimile, computer or other device), an unsolicited advertisement to any equipment, which has the capacity to transcribe text or images from an electronic signal received over a regular telephone line, cable line, ISDN, T1 or any other signal carrying device, except as set forth in this section.
  
- C. All e-mail or computer broadcasted documents subject to this provision shall include each of the following:
  - I. A clear and obvious identification that the e-mail message is an advertisement or solicitation. The words “advertisement” or “solicitation” should appear in the subject line of the message;
  - II. A clear return path or routing information;
  - III. The use of legal and proper domain name;
  - IV. A clear and obvious notice of the opportunity to decline to receive further commercial e-mail messages from the sender;
  - V. Unsubscribe or opt-out instructions should be the very first text in the body of the message box in the same size text as the majority of the message;
  - VI. The true and correct name of the sender, valid senders e-mail address, and a valid sender physical address;
  - VII. The date and time of the transmission;
  - VIII. Upon notification by recipient of his or her request not to receive further e-mailed documents, a Direct Cellars Rep shall not transmit any further documents to that recipient.
  
- D. All e-mail or computer broadcasted documents subject to this provision shall not include any of the following:
  - I. Use of any third party domain name without permission;
  - II. Sexually explicit materials.

## **9.5 Internet and Third-Party Website Restrictions**

- A. A Rep may not use or attempt to register any of Direct Cellars's trade names, trademarks, service names, service marks, membership names, URLs, advertising phrases, the Company’s

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name or any derivative thereof, for any purpose including, but not limited to, Internet domain names (URL), third party websites, e-mail addresses, web pages, or blogs.

- B. A Direct Cellars Representative may not refer Direct Cellars memberships or offer the Company opportunity to others using “online auctions,” such as eBay®.
- C. Reps may not create or use any third-party website. A third-party website is a non-Direct Cellars approved personal website that is hosted on non-Direct Cellars servers and has no affiliation with Direct Cellars.
- D. Social Media sites may not be used to offer to refer Direct Cellars memberships. PROFILES A REP GENERATES IN ANY SOCIAL COMMUNITY WHERE DIRECT CELLARS IS DISCUSSED OR MENTIONED MUST CLEARLY IDENTIFY THE REP AS A DIRECT CELLARS REPRESENTATIVE, and when a Rep participates in those communities, Reps must avoid inappropriate conversations, comments, images, video, audio, applications or any other adult, profane, discriminatory or vulgar content. The determination of what is inappropriate is at Direct Cellars’s sole discretion, and offending Reps will be subject to disciplinary action.
- E. Anonymous postings or use of an alias on any Social Media site is prohibited, and offending Reps will be subject to disciplinary action.
- F. Reps may not use blog spam, spamdexing or any other mass-replicated methods to leave blog comments. Comments Reps create or leave must be useful, unique, relevant and specific to the blog’s article.
- G. Reps must disclose their full name on all Social Media postings, and conspicuously identify themselves as a Representative for Direct Cellars. Anonymous postings or use of an alias is prohibited.
- H. Postings that are false, misleading, or deceptive are prohibited. This includes, but is not limited to, false or deceptive postings relating to the Direct Cellars income opportunity, Direct Cellars memberships, and/or your biographical information and credentials.
- I. Reps are personally responsible for their postings and all other online activity that relates to Direct Cellars. Therefore, even if a Rep does not own or operate a blog or Social Media site, if a Rep posts to any such site that relates to Direct Cellars or which can be traced to Direct Cellars, the Rep is responsible for the posting. Representatives are also responsible for postings which occur on any blog or Social Media site that the Rep owns, operates, or controls.
- J. As a Direct Cellars Rep, it is important to not converse with any person who places a negative post against you, other Reps, or Direct Cellars. Report negative posts to Direct Cellars at [compliance@directcellars.com](mailto:compliance@directcellars.com). Responding to such negative posts often simply fuels a discussion with someone carrying a grudge that does not hold themselves to the same high

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standards as Direct Cellars, and therefore damages the reputation and goodwill of Direct Cellars.

- K. The distinction between a Social Media site and a website may not be clear-cut, because some Social Media sites are particularly robust. Direct Cellars, therefore, reserves the sole and exclusive right to classify certain Social Media outside the parameters of a third-party website.
- L. If your Direct Cellars business is cancelled for any reason, you must discontinue using the Direct Cellars name, and all of Direct Cellars's trademarks, trade names, service marks, and other intellectual property, and all derivatives of such marks and intellectual property, in any postings and all Social Media sites that you utilize. If you post on any Social Media site on which you have previously identified yourself as a Direct Cellars Representative, you must conspicuously disclose that you are no longer a Direct Cellars Representative.
- M. Failure to comply with these Policies for conducting business online may result in the Rep losing their right to advertise and market the Direct Cellars membership and opportunity online in addition to any other disciplinary action available under the Policies and Procedures.

## **9.6 Advertising and Promotional Materials**

- A. You may not advertise any Direct Cellars membership at a price LESS than the highest company published, established retail price of ONE offering of the Direct Cellars membership plus shipping, handling and applicable taxes. No special enticement advertising is allowed. This includes, but is not limited to, offers of free membership, free shipping, or other such offers that grant advantages beyond those available through the Company.
- B. Advertising and all forms of communications must adhere to principles of honesty and propriety.
- C. All advertising, including, but not limited to, print, Internet, computer bulletin boards, television, radio, etc., are subject to prior written approval by the Direct Cellars Compliance Department.
- D. All requests for approvals with respect to advertising must be directed in writing to the Direct Cellars Compliance Department.
- E. Direct Cellars approval is not required to place blind ads that do not mention Direct Cellars, its employees, any of its memberships, designs, symbols, programs, and trademarked, copyrighted, or otherwise protected materials.
- F. A Rep who is currently paid at the Wine Master rank may create his or her own ads or promotional materials including the development of commercials and infomercials. However, all such materials, and any subsequent changes thereto shall be submitted to the Direct Cellars Compliance Department for approval.



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- I. Wine Masters are encouraged to work with the Compliance Department prior to the production of commercials, infomercials, or websites.
- G. Direct Cellars reserves the right to rescind its prior approval of submitted advertising or promotional materials in order to comply with changing laws and regulations, and may require the removal of such advertisements from the marketplace without obligation to the affected Rep.

## **9.7 Testimonial Permission**

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

## **9.8 Telemarketing - Limitations**

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

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A Direct Cellars Rep may place telephone calls to prospective Customers or Representatives under the following limited situations:

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

## **10.0 INTERNATIONAL MARKETING**

### **10.1 International Marketing Policy**

- A. A Direct Cellars Rep is authorized to refer Direct Cellars memberships to Customers and Representatives only in the countries in which Direct Cellars is authorized to conduct business, according to the Policies and Procedures of each country. Direct Cellars Reps may not refer memberships in any country where Direct Cellars has not received applicable government authorization or approval.

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- B. A Rep may not, in any unauthorized country, conduct referrals, enrollment or training meetings, enroll or attempt to enroll potential Customers or Reps, nor conduct any other activity for the purpose of selling Direct Cellars memberships, establishing a sales organization, or promoting the Direct Cellars business opportunity.

## **11.0 CHANGES TO A REPRESENTATIVE'S BUSINESS**

### **11.1 Modification of the Rep Agreement**

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

### **11.2 Change Sponsor or Placement for Active Representatives**

- A. Maintaining the integrity of the organizational structure is mandatory for the success of Direct Cellars and our independent Reps. As such, under exceptional circumstances at the discretion of the Company, a request to change placement may only be made within the first 3 days of initial enrollment as a Representative. Furthermore, such changes may only occur within the same organization.
- B. Sponsors may make "Placement changes" from one Rep to another for personally Sponsored (frontline) Reps during the first 3 days of enrollment.
- C. New Reps or their original Sponsor may request a change of Sponsor or Placement within the first 3 days of enrollment for the purpose of structuring an organization. The new Rep Agreement must be received within the calendar month for commission calculations to be effective with the requested change.
- D. To change or correct the Sponsor, a Rep must comply with following procedures:
  - I. Submit a Sponsor Placement Transfer Form;
  - II. Submit a Direct Cellars Rep Agreement showing the correct Sponsor and Placement, and any appropriate supporting documentation;
  - III. The Rep Agreement must be a new, completed document bearing "fresh" signatures, not a "crossed-out" or "white-out" version of the first Agreement.
- E. Upon approval, the Rep's downline, if any, will transfer with the Rep.

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- F. If one transfer has already been made a \$20 fee will be assessed for the second and for each transfer thereafter.
- G. After the first 3 days from initial enrollment, Direct Cellars will honor the Sponsor/Placement as shown:
  - I. On the most recently signed Rep Agreement on file; or
  - II. Self-enrolled on the website (i.e., electronically signed web Agreement).
- H. Direct Cellars retains the right to approve or deny any requests to change Sponsor or Placement, and to correct any errors related thereto at any time and in whatever manner it deems necessary.

## **11.3 Change Sponsor or Placement for Inactive Reps**

- A. At the discretion of Direct Cellars, Reps who did not participate in an auto ship or have not paid the membership fee for at least six (6) months, and who have not tendered a letter of resignation, are eligible to re-enroll in Direct Cellars under the Sponsor/Placement of their choice.
- B. Upon written notice to Direct Cellars that a former Rep wishes to re-enroll, Direct Cellars will “compress” (close) the original account. A new Direct Cellars ID number will then be issued to the former Rep.
- C. Such Rep does not retain former rank, downline, or rights to commission checks from his or her former organizations.
- D. Direct Cellars reserves the right to correct Sponsor or Placement errors at any time and in whatever manner it deems necessary.

## **11.4 Change Organizations**

- A. If a Direct Cellars Rep wishes to transfer organizations, he or she must submit a letter of resignation to the Direct Cellars Compliance Department and remain inactive (place no orders, or be on an auto ship) with or in Direct Cellars for six (6) months from the receipt of the letter before being eligible to re-enroll under a different Sponsor/Placement.
- B. Direct Cellars retains the right to approve or deny any request to re-enroll after a Rep’s resignation.
- C. If re-enrollment is approved, the former Rep will be issued a new Direct Cellars ID number and will be required to submit a new Rep Agreement. The Rep will not be entitled to keep any former rank, downline, or rights to commission checks from any prior organization.

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- D. Transfers may not be done outside of the original organization.

## 11.5 Unethical Sponsoring

- A. Unethical sponsoring activities include, but are not limited to, enticing, bidding or engaging in unhealthy competition in trying to acquire a prospect or new Rep from another Rep or influencing another Rep to transfer to a different sponsor.
- B. Allegations of unethical sponsoring must be reported in writing to the Direct Cellars Compliance Department within the first 90 days of enrollment. If the reports are substantiated, Direct Cellars may transfer the Rep or the Rep's downline to another sponsor, Placement or organization without approval from the current up-line Sponsor or Placement Reps. Direct Cellars remains the final authority in such cases.
- C. Direct Cellars prohibits the act of "Stacking." Stacking is the unauthorized manipulation of the Direct Cellars compensation system and/or the marketing plan in order to trigger commissions or cause a promotion off a downline Rep in an unearned manner. One example of stacking occurs when a Sponsor places participants under an inactive downline without his or her knowledge in order to trigger unearned qualification for commissioning. Stacking is unethical and unacceptable behavior, and as such, it is a punishable offense with measures up to and including the termination of the independent consultant positions of all individuals and/or entities found to be directly involved.
- D. Should Reps engage in solicitation and/or enticement of members of another direct sales company to refer Direct Cellars memberships, they bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration, or mediation is brought against a Rep alleging that they engaged in inappropriate recruiting activity of another company's sales force or Customers, Direct Cellars will not pay any of Rep's defense costs or legal fees, nor will Direct Cellars indemnify the Rep for any judgment, award, or settlement.

## 11.6 Sell, Assign or Delegate Ownership

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

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- D. To request corporate authorization for a sale or transfer of a Direct Cellars business, the following items must be submitted to the Direct Cellars Compliance Department:
  - I. A Sale/Transfer of Rep Form properly completed, with the requisite signatures.
  - II. A copy of the Sales Agreement signed and dated by both Buyer and Seller.
  - III. A Direct Cellars Rep Agreement completed and signed by the Buyer;
  - IV. Payment of the \$100 administration fee;
  - V. Any additional supporting documentation requested by Direct Cellars.
- E. Any debt obligations that either Seller or Buyer may have with Direct Cellars must be satisfied prior to the approval of the sale or transfer by Direct Cellars.
- F. A Direct Cellars Rep who sells his or her business is not eligible to re-enroll as a Direct Cellars Rep in any organization for six (6) full calendar months following the date of the sale except as otherwise expressly set forth in these Policies and Procedures.

## **11.7 Separating a Direct Cellars Business**

- A. Pending a divorce or dissolution of a partnership or other business entity, the parties must adopt one of the following methods of operation:
  - I. One of the parties may, with the written consent of the other(s), operate the Direct Cellars business whereby the relinquishing Spouse, shareholders, partners, members or trustees authorize Direct Cellars to deal directly and solely with the other Spouse, non-relinquishing shareholder, partner, member or trustee;
  - II. The parties may continue to operate the Direct Cellars business jointly on a “business as usual” basis, whereupon all compensation paid by Direct Cellars will be paid in the name designated as the Reps or in the name of the entity to be divided, as the parties may independently agree between them. If no name is stipulated, Direct Cellars will pay compensation to the name on record and in such event, the Representative named on the account shall indemnify Direct Cellars from any claims from the other business owner(s) or the other Spouse with respect to such payment.
- B. Direct Cellars recognizes only one Downline organization and will issue only one commission check per Direct Cellars business per commission cycle. Under no circumstances will the Downline of an organization be divided, nor will Direct Cellars split commission and/or bonus checks.
- C. If a relinquishing Spouse, partner or owner of the business has completely relinquished (“Relinquishing Party”), in writing, all rights to the original Direct Cellars business, he or she

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may immediately thereafter re-enroll under the Sponsor and Placement of his or her choice. In such cases, however, the Relinquishing Party shall have no rights to, and shall not solicit, any Rep or active Customer in the former organization, and must develop a new business in the same manner as any other new Direct Cellars Rep. A Rep in the Relinquishing Party's former Downline who wishes to transfer to the Relinquishing Party's new organization or to any other organization, must comply with the requirements in Section 13.6.

## 11.8 Succession

- A. Upon the death or incapacity of a Rep, the Rep's business may be passed on to his or her legal successors in interest (successor). Whenever a Direct Cellars business is transferred by will or other testamentary process, the successor acquires the right to collect all bonuses and commissions of the deceased Rep's sales organization. The successor must:
  - I. Complete and sign a new Direct Cellars Rep Agreement;
  - II. Comply with the Terms and provisions of the Rep Agreement; and
  - III. Meet all of the qualifications for the last rank achieved by the former Rep.
- B. Bonus and commission checks of a Direct Cellars business transferred based on this section will be paid in a single check to the successor. The successor must provide Direct Cellars with an "address of record" to which all bonus and commission Payments will be sent. Payments will be based on the current performance of the business, not the highest rank or volume achieved.
- C. If the business is bequeathed to joint devisees (successors), they must form a business entity and acquire a Federal taxpayer identification number. Direct Cellars will issue all bonus and commission payments and one 1099 Miscellaneous Income Tax form to the managing business entity only.
- D. Appropriate legal documentation must be submitted to Direct Cellars Compliance Department to ensure the transfer is done properly. To affect a testamentary transfer of a Direct Cellars business, the successor must provide the following to Direct Cellars Compliance Department:
  - I. A certified copy of the death certificate; and
  - II. A notarized copy of the will or other appropriate legal documentation establishing the successor's right to the Direct Cellars business.
- E. To complete a transfer of the Direct Cellars business because of incapacity, the successor must provide the following to the Direct Cellars Compliance Department:
  - I. A notarized copy of an appointment as trustee;

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- II. A notarized copy of the trust document or other appropriate legal documentation establishing the trustee's right to administer the Direct Cellars business; and
- III. A completed Rep Agreement executed by the trustee.
- F. If the successor is already an existing Rep, Direct Cellars will allow such Rep to keep his or her own business plus the inherited business active for up to six (6) months. By the end of the six-month period, the Rep must have compressed (if applicable), sold or otherwise transferred either the existing business or the inherited business.
- G. If the successor wishes to terminate the Direct Cellars business, he or she must submit a notarized statement stating the desire to terminate the business, along with a certified copy of the death certificate, appointment as trustee, and/or any other appropriate legal documentation.
- H. Upon written request, Direct Cellars may grant a one (1) month bereavement waiver and pay out at the last "paid as" rank.

## **11.9 Resignation/Voluntary Termination**

- A. A Rep may immediately terminate his or her business by submitting a written notice or email to the Direct Cellars Compliance Department [compliance@directcellars.com](mailto:compliance@directcellars.com). The written notice must include the following:
  - I. The Rep's intent to resign;
  - II. Date of resignation;
  - III. Direct Cellars Identification Number;
  - III. Reason for resigning; and
  - V. Signature.
- B. A Direct Cellars Rep may not use resignation as a way to immediately change Sponsor and Placement. Instead, the Rep who has voluntarily resigned is not eligible to reapply for a business or have any financial interest in a or any Direct Cellars business for six (6) months from the receipt of the written notice of resignation.

## **11.10 Involuntary Termination**

- A. Direct Cellars reserves the right to terminate a Rep's business for, but not limited to, the following reasons:
  - I. Violation of any Terms or Conditions of the Rep Agreement;



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- II. Violation of any provision in these Policies and Procedures;
  - III. Violation of any provision in the Compensation Plan;
  - IV. Violation of any applicable law, ordinance, or regulation regarding the Direct Cellars business; or
  - V. Engaging in unethical business practices or violating standards of fair dealing.
- B. Direct Cellars will notify the Rep in writing *by certified mail, return receipt requested or overnight documented mail*, at his or her last known address of its intent to terminate the Rep's business and the reasons for termination. The Rep will have fifteen (15) calendar days from the date of mailing of such notice to respond in writing to the allegations or claims constituting cause for termination as stated in the notice. Direct Cellars will then have thirty (30) calendar days from the date of receipt of the Rep's response to render a final decision as to termination.
- C. If a decision is made by Direct Cellars to terminate the Rep's business, Direct Cellars will inform the Rep in writing that the business is terminated effective as of the date of the written notification. The Rep will then have fifteen (15) calendar days from the date of mailing of such notice to appeal the termination in writing. Direct Cellars must receive the Rep's written appeal within twenty (20) calendar days of the date of the Direct Cellars termination letter. If the written appeal is not received within this time period, the termination will be considered final.
- D. If the Rep does file a timely appeal of termination, Direct Cellars will review its decision, along with any other information it may deem relevant, reconsider any other appropriate action, and notify the Rep of its decision. The decision of Direct Cellars is then considered final and not subject to further review.
- E. If the termination is not rescinded, the termination will be effective as of the date of the original termination notice by Direct Cellars. The former Rep shall thereafter be prohibited from using the names, marks or signs, labels, stationery, advertising, or business material referring to or relating to any Direct Cellars membership. Direct Cellars will notify the active Upline Sponsor within ten (10) days after termination. The organization of the terminated Rep will "roll up" to the active Upline Sponsor on record.
- F. The Direct Cellars Rep who is involuntarily terminated by Direct Cellars may not reapply for a business, either under his or her present name or any other name or entity, without the *express written consent of an officer of Direct Cellars*, following a review by the *Direct Cellars Compliance Committee*. In any event, such Rep may not re-apply for a business for six (6) months from the date of termination.

## 11.11 Effect of Cancellation

- A. Following a Rep's cancellation for inactivity or voluntary or involuntary termination (collectively, a "cancellation") such Rep:

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- I. Shall have no right, title, claim or interest to any commission or bonus from the referrals generated by the Rep's former organization or any other payments in association with the Rep's former business;
- II. Effectively waives any and all claims to property rights or any interest in or to the Rep's former Downline organization;
- III. Shall receive commissions and bonuses only for the last full pay period in which he or she was active prior to cancellation, less any amounts withheld during an investigation preceding an involuntary cancellation, and less any other amounts owed to Direct Cellars.

## **12.0 DISCIPLINARY SANCTIONS**

### **12.1 Imposition of Disciplinary Action - Purpose**

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

### **12.2 Consequences and Remedies of Breach**

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

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VIII. Legal proceedings for monetary or equitable relief.

## 13.0 DISPUTE RESOLUTION

### 13.1 Grievances

- A. If a Direct Cellars Rep has a grievance or complaint against another Rep regarding any practice or conduct relating to their respective Direct Cellars businesses, he or she is encouraged to resolve the issue directly with the other party. If an agreement cannot be reached, it must be reported directly to the Direct Cellars Compliance Department as outlined below in this Section.
- B. The Direct Cellars Compliance Department will be the final authority on settling such grievance or complaint and its written decision shall be final and binding on the Reps involved.
- C. Direct Cellars will confine its involvement to disputes regarding Direct Cellars business matters only. Direct Cellars will not decide issues that involve personality conflicts or unprofessional conduct by or between Reps outside the context of a Direct Cellars business. These issues go beyond the scope of Direct Cellars and may not be used to justify a Sponsor or Placement change or a transfer to another Direct Cellars organization.
- D. Direct Cellars does not consider, enforce, or mediate third party agreements between Reps, nor does it provide names, funding, or advice for obtaining outside legal counsel.
- E. Process for Grievances:
  - I. The Direct Cellars Rep should submit a written letter of complaint (e-mail will not be accepted) directly to the Direct Cellars Compliance Department. The letter shall set forth the details of the incident as follows:
    - a. The nature of the violation;
    - b. Specific facts to support the allegations;
    - c. Dates;
    - d. Number of occurrences;
    - e. Persons involved; and
    - f. Supporting documentation.
  - II. Upon receipt of the written complaint, Direct Cellars will conduct an investigation according to the following procedures;
    - a. The Compliance Department will send an acknowledgment of receipt to the complaining Rep;
    - b. The Compliance Department will provide a verbal or written notice of the allegation to the Rep under investigation. If a written notice is sent to the Rep,

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- he or she will have ten (10) business days from the date of the notification letter to present all information relating to the incident for review by Direct Cellars;
- c. The Compliance Department will thoroughly investigate the complaint, consider all the submitted information it deems relevant, including information from collateral sources. Due to the unique nature of each situation, determinations of the appropriate remedy will be on a case by case basis, and the length of time to reach a resolution will vary;
  - d. During the course of the investigation, the Compliance Department will only provide periodic updates simply stating that the investigation is ongoing. No other information will be released during this time. Rep calls, letters, and requests for “progress reports” during the course of the investigation will not be answered or returned.

E. Direct Cellars will make a final decision and timely notify the Direct Cellars Reps involved.

## 13.2 Mediation

- A. Prior to instituting the arbitration as discussed in Section 13.3 below, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement through non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as a mediator. The mediator’s costs and fees, as well as the costs of holding and conducting the mediation, shall be divided equally between the parties. Each party shall pay its portion of the anticipated fees and costs at least ten (10) days in advance of the mediation. Each party shall pay its own attorney fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in Fort Myers, Florida, and shall last no more than two (2) business days.

## 13.3 Arbitration

- A. **Any controversy or claim arising out of or relating to the Direct Cellars Rep Agreement, these Policies and Procedures, or the breach thereof, the Rep’s business or any dispute between Direct Cellars and the Rep, shall be settled by binding and confidential arbitration administered by the American Arbitration Association under its commercial arbitration rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.** Any such arbitration shall be held in Fort Meyers, Florida. There shall be one arbitrator, who shall have expertise in business law transactions and who shall be knowledgeable in the direct selling industry, selected from a panel provided by the American Arbitration Association.
- B. The prevailing party in any such arbitration shall be entitled to receive from the losing party, all costs and expenses of arbitration, including reasonable attorney’s fees and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to judgment in any court of competent jurisdiction.
- C. This agreement to arbitration shall survive any termination or expiration of the Rep Agreement.

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- D. Nothing in these Policies and Procedures shall prevent Direct Cellars from applying for or obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction, or other relief available to safeguard and protect Direct Cellars interests or its Confidential Information prior to, during or following the filing of an arbitration or other proceeding, or pending the rendition of a decision or award in connection with any arbitration or other proceeding.
- E. **NO CLASS ACTION, OR OTHER REPRESENTATIVE ACTION OR PRIVATE ATTORNEY GENERAL ACTION OR JOINDER OR CONSOLIDATION OF ANY CLAIM WITH A CLAIM OF ANOTHER PERSON OR CLASS OF CLAIMANTS SHALL BE ALLOWABLE.**
- F. These Policies and Procedures and any arbitration involving a Rep and Direct Cellars shall be governed by and construed in accordance with the laws of the state of Florida, without reference to its principles of conflict of laws.

## **13.4 Severability**

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

## **13.5 Waiver**

- A. Only an officer of Direct Cellars can, in writing, affect a waiver of the Direct Cellars Policies and Procedures. Direct Cellars's waiver of any particular breach by a Rep shall not affect Direct Cellars' rights with respect to any subsequent breach, nor shall it affect the rights or obligations of any other Rep.
- B. The existence of any claim or cause of action of a Rep against Direct Cellars shall not constitute a defense to Direct Cellars' enforcement of any term or provision of these Policies and Procedures.

## **13.6 Successors and Claims**

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

## **14.0 GOVERNING LAW**

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

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## 15.0 DIRECT CELLARS GLOSSARY OF TERMS

**ACTIVE REPRESENTATIVE:** A Representative who satisfies the minimum volume requirements, as set forth in the Compensation Plan, to ensure that they are eligible to receive bonuses and commissions.

**AGREEMENT:** The contract between the Company and each Representative; includes the Rep Agreement, the Direct Cellars Policies and Procedures, and the Direct Cellars Compensation Plan, all in their current form and as amended by Direct Cellars in its sole discretion. These documents are collectively referred to as the “Agreement.”

**CANCEL:** The termination of a Representative’s business. Cancellation may be either voluntary or involuntary.

**COMPENSATION PLAN:** The guidelines and referenced literature for describing how Representatives can generate commissions and bonuses.

**CUSTOMER:** A Customer who purchases Direct Cellars memberships and does not engage in building a business or retailing memberships.

**REPRESENTATIVE OR REP:** An individual who purchases a membership, and generates retail sales and business building commissions.

**LINE OF SPONSORSHIP (LOS):** A report generated by Direct Cellars that provides critical data relating to the identities of Reps, sales information, and enrollment activity of each Rep’s organization. This report contains confidential and trade secret information which is proprietary to Direct Cellars.

**ORGANIZATION:** The Customers and Representatives placed below a particular Representative.

**OFFICIAL DIRECT CELLARS MATERIAL:** Literature, audio or video tapes, and other materials developed, printed, published, and distributed by Direct Cellars to Reps.

**PLACEMENT:** Your position inside your Sponsor’s organization.

**RECRUIT:** For purposes of Direct Cellars’s Conflict of Interest Policy, the term “Recruit” means the actual or attempted solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another Direct Cellars Representative or Customer to enroll or participate in another multilevel marketing, network marketing, or direct sales opportunity.

**RESALABLE:** Direct Cellar membership packages and the wine inside shall be deemed “resalable” if each of the following elements is satisfied: (i) they are unopened and unused; (ii) original packaging and labelling has not been altered or damaged; (iii) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; and (iv) the package contains current Direct Cellars labelling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resalable.

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**SPONSOR:** A Representative who enrolls a Customer, Retailer, or another Rep into the Company, and is listed as the Sponsor on the Rep Agreement. The act of enrolling others and training them to become Reps is called “sponsoring.”

**UPLINE:** This term refers to the Rep or Reps above a particular Representative in a sponsorship line up to the Company. It is the line of sponsors that links any particular Representative to the Company.