

**STATEMENT OF POLICIES**  
*and*  
**PROCEDURES**  
*Revised February 2016*

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# **STATEMENT OF POLICIES *and* PROCEDURES**

## **SECTION 1 - INTRODUCTION**

**1.1 - Policies and Financial rewards plan Incorporated into Customer Affiliate Agreement** These Policies and Procedures, in their present form and as amended at the sole discretion of Harmonic Network, (hereafter “Harmonic” or the “Company”), are incorporated into, and form an integral part of, the Harmonic Customer Affiliate Agreement. Throughout these Policies, when the term “Agreement” is used, it collectively refers to the Harmonic Customer Affiliate Application and Agreement, these Policies and Procedures, the Harmonic Marketing and Financial Rewards Plan, and the Harmonic Anti- Slamming Agreement. These documents are incorporated by reference into the Harmonic Customer Affiliate Agreement (all in their current form and as amended by Harmonic). It is the responsibility of each Customer Affiliate to read, understand, adhere to, and ensure that he or she is aware of and operating under the most current version of these Policies and Procedures as updated and amended and published on the Harmonic website. When sponsoring or enrolling a new Customer Affiliate, it is the responsibility of the sponsoring Customer Affiliate to provide the most current version of these Policies and Procedures and the Harmonic Marketing and Financial Rewards Plan to the applicant prior to his or her execution of the Customer Affiliate Agreement.

### **1.2 - Purpose of Policies**

Harmonic is a direct sales company that markets products and services through customers and affiliates. It is important to understand that your success and the success of your fellow customer affiliates is dependent upon the integrity of the men and women who market our products and services. To clearly define the relationship that exists between customers, affiliates and Harmonic, and to explicitly set a standard for acceptable business conduct, Harmonic has established the Agreement.

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

### **1.3 - Changes to the Agreement**

Because federal, state, and local laws, as well as the business environment, periodically change, Harmonic reserves the right to amend the Agreement and its prices in its sole and absolute

discretion. By signing the Customer affiliate Agreement, a Customer affiliate agrees to abide by all amendments or modifications that Harmonic elects to make. Amendments shall be effective upon notice to all Customer affiliates that the Agreement has been modified. Notification of amendments shall be published in official Harmonic materials and on the Harmonic website. The Company shall provide or make available to all Customer affiliates a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company's official web site; electronic mail (e-mail); or special mailings. The continuation of a Customer affiliate's Harmonic ID or a Customer affiliate's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

#### **1.4 - Delays**

Harmonic shall not be responsible for delays or failures in performance of its obligations when performance is made commercially impracticable due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, riot, war, fire, death, natural disasters, curtailment of a party's source of supply, or government decrees or orders.

#### **1.5 - Policies and Provisions Severable**

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

#### **1.6 - Waiver**

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

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

#### **1.7 – Arbitration**

These Policies and Procedures as well as the Independent Customer affiliate Agreement will be governed by and construed in accordance with the laws of the State of Florida

without regard to principles of conflicts of laws. All disputes and claims relating to Harmonic, the Customer affiliate Agreement, the Harmonic Marketing and Financial rewards plan or its products and services, the rights and obligations of a Customer affiliate and Harmonic, or any

other claims or causes of action relating to the performance of either an independent Customer affiliate or Harmonic under the Agreement or the Harmonic Policies and Procedures shall be settled totally and finally by individual arbitration between the Company and Customer affiliate, in Palm Beach County, FL or such other location as Harmonic prescribes, in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association, except that all parties shall be entitled to discovery rights allowed under the Federal Rules of Civil Procedure. All issues related to arbitration shall be governed by the Federal Arbitration Act. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. This agreement to arbitrate shall survive any termination or expiration of the Agreement. Nothing in this Agreement or the Policies and Procedures shall prevent Harmonic from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction or other relief available to safeguard and protect Harmonic's interest prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

## **SECTION 2 - BECOMING A CUSTOMER AFFILIATE**

### **2.1 Requirements to Become a Customer affiliate**

To become a Harmonic Customer affiliate, each applicant must:

- 2.1.1** - Be of the age of majority in his or her state of residence usually over the age of 18 years;
- 2.1.2** - Reside in the United States or U.S. Territories;
- 2.1.3** - Have a valid Social Security, Federal Tax ID number, or ITIN
- 2.1.4** - Submit a properly completed and signed Customer affiliate Application and Agreement to Harmonic, or go online to a corporate-approved website to register.

The Company reserves the right to reject any applications for a new Customer affiliate or applications for renewal.

### **2.2 - No Product or Service Purchase Required**

No person is required to sign up for Harmonic vendor's services to become a Customer affiliate.

### **2.3 - New Customer affiliate Registration**

Prospective Customer affiliates may submit an application on-line through their sponsor's replicated website.

### **2.4 - Customer affiliate Benefits**

Once a Customer affiliate Application and Agreement has been accepted by Harmonic, the benefits of the Marketing and Financial rewards plan and the Customer affiliate Agreement are available to the new Customer affiliate. These benefits include the right to:

- 2.4.1** - Sell Harmonic vendors' products and services;
- 2.4.2** - Participate in the Harmonic Marketing and Financial rewards plan (receive bonuses and commissions, if eligible);
- 2.4.3** - Sponsor other individuals as Customer affiliates and thereby, build a marketing organization and progress through the Harmonic Marketing and Financial rewards plan;
- 2.4.4** - Receive periodic Harmonic literature and other Harmonic information via mail, email, text message, automatic calls, or any other form of communication;
- 2.4.5** - Participate in Harmonic-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- 2.4.6** - Participate in promotional and incentive contests and programs sponsored by Harmonic for its Customer affiliates.

## **SECTION 3 - OPERATING AS A HARMONIC CUSTOMER AFFILIATE**

### **3.1 - Adherence to the Harmonic Marketing and Financial rewards plan**

Customer affiliates must adhere to the terms of the Harmonic Marketing and Financial rewards plan as set forth in official Harmonic literature. Customer affiliates shall not offer the Harmonic customer affiliate registration through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Harmonic literature. Customer affiliates shall not require or encourage other current or prospective Customers or Customer affiliates to participate in Harmonic in any manner that varies from the program as set forth in official Harmonic literature.

Customer affiliates shall not require or encourage other current or prospective Customers or Customer affiliates to execute any agreement or contract other than official Harmonic agreements and contracts in order to become a Harmonic Customer affiliate. Similarly, Customer affiliates shall not require or encourage other current or prospective Customers or Customer affiliates to make any purchase from, or payment to, any individual or other entity to participate in the Harmonic Marketing and Financial rewards plan other than those purchases or payments identified as recommended or required in official Harmonic literature.

### **3.2 - Advertising**

#### **3.2.1 - General**

All Customer affiliates shall safeguard and promote the good reputation of Harmonic and its products. The marketing and promotion of Harmonic, the Harmonic business opportunity, the Marketing and Financial rewards plan, and Harmonic products and services shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

To promote both the products and services, and the tremendous opportunity Harmonic offers, Customer affiliates must use the sales aids and support materials produced by Harmonic. The rationale behind this requirement is simple. Harmonic has carefully designed its products, product labels, Marketing and Financial rewards plan, and promotional materials to ensure that each aspect of Harmonic is fair, truthful, and substantiated. If Harmonic Customer affiliates were allowed to develop their own sales aids and promotional materials (which includes Internet advertising and automated dialing programs/voice blasts), notwithstanding their integrity and good intentions, the likelihood that they would unintentionally violate any number of statutes or regulations affecting a Harmonic business is almost certain. These violations, although they may be relatively few, would jeopardize the Harmonic business opportunity for all Customer affiliates. Materials, other than those provided by Harmonic, must have the prior approval of Harmonic's Marketing Department.

#### **3.2.2 - Customer affiliate Web Sites**

If a Customer affiliate desires to utilize an Internet web page to promote his or her business, he or she may do so through the Company's official web site, using official Harmonic replicated websites, and only with the express written permission of Harmonic.

#### **3.2.3 - Domain Names**

Customer affiliates may not use or attempt to register any of Harmonic's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain name. This includes, but is not limited to the use of Harmonic, Harmonic Network, Harmonic Wireless, etc..

#### **3.2.4 - Trademarks and Copyrights**

Harmonic will not allow the use of its trade names, trademarks, designs, or symbols by any person, including a Harmonic Customer affiliates, without its prior, written permission. Customer affiliates may not produce for sale or distribution any recorded

Company events and speeches without written permission from Harmonic nor may Customer affiliates reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

### **3.2.5 - Media and Media Inquiries**

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

### **3.2.6 - Spamming and Unsolicited Faxes**

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

### **3.3 - Bonus Buying Prohibited**

Bonus buying is strictly and absolutely prohibited. "Bonus buying" includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Customer affiliate Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Customer affiliate or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Customer affiliates or Customers ("phantoms"); (d) the use of a credit card by or on behalf of a Customer affiliate or Customer when the Customer affiliate or Customer is not the account holder of such credit card; (e) Purchasing Harmonic merchandise or services on behalf of another Customer affiliate or Customer, or under another Customer affiliate's or Customer's I.D. number, to qualify for commissions or bonuses; (f) the submission of an unauthorized request for a change in service of an individual's or entity's telephone service provider ("slamming").

### **3.4 - Business Entities**

A corporation, LLC, LLP, partnership or trust (collectively referred to in this section as a "Business Entity") may apply to be a Harmonic Customer affiliate by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the "Entity Documents") to Harmonic, along with a properly completed Business Entity Registration form. A Harmonic business may change

its status under the same sponsor from an individual to a partnership, corporation or trust, or from one type of entity to another. There is a \$25.00 fee for each change requested, which must be included with the written request

and the completed Customer affiliate Application and Agreement. The Business Entity Registration form must be signed by all of the shareholders, partners or trustees. Members of the entity are jointly and severally liable for any indebtedness or other obligation to Harmonic.

### **3.5 - Changes to a Harmonic Business**

#### **3.5.1 - General**

Each Customer affiliate must immediately notify Harmonic of all changes to the information contained on his or her Customer affiliate Application and Agreement. Customer affiliates may modify their existing Customer affiliate Agreement (i.e., change Social Security number to Federal I.D. number, or change the form of ownership from an individual proprietorship to a business entity owned by the Customer affiliate) by submitting a written request, a properly executed Customer affiliate Application and Agreement, and appropriate supporting documentation. There is a \$25.00 fee for each change requested, which must be included with the written request. Harmonic requests that these changes be limited to one per year.

#### **3.5.2 - Change of Sponsor - Cancellation and Re-application**

The only way a Customer affiliate may legitimately change organizations is by voluntarily canceling his or her Harmonic business and remaining inactive (*i.e.*, no purchases of Harmonic products for resale, no sales of Harmonic products, no sponsoring, no attendance at any Harmonic functions, participation in any other form of Customer affiliate activity, or operation of any other Harmonic business) for six (6) full calendar months. Following the six month period of inactivity, the former Customer affiliate may reapply under a new sponsor. If a Customer affiliate wishes to reapply before the six month period has expired, the former Customer affiliate must come back under their original sponsor.

### **3.6 - Unauthorized Claims and Actions**

#### **3.6.1 - Indemnification**

A Customer affiliate is fully responsible for all of his or her verbal and written statements made

regarding Harmonic products, services, and the Marketing and Financial rewards plan which are not expressly contained in official Harmonic materials. Customer affiliates agree to indemnify Harmonic and Harmonic's directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by Harmonic as a result of the Customer affiliate's unauthorized representations or actions. This provision shall survive the termination of the Customer affiliate Agreement.

### **3.6.2 - Product Claims**

No claims about Harmonic's products or services may be made except those contained in official Harmonic literature.

### **3.6.3 - Income Claims Prohibited**

In their enthusiasm to enroll prospective Customer affiliates, some Customer affiliates are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of direct sales. This is counterproductive because new Customer affiliates may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At Harmonic, we firmly believe that the Harmonic income potential is great enough to be highly attractive, without reporting the earnings of others.

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

### **3.7 - Trade Shows, Expositions and Other Sales Forums**

Customer affiliates may display and/or sell Harmonic services at trade shows and professional expositions. Before submitting a deposit to the event promoter, Customer affiliates must contact the Customer affiliate Services department in writing for conditional approval, as Harmonic's policy is to authorize only one Harmonic business per event. Final approval will be granted to the first Customer affiliate who submits an official advertisement of the event, a copy of the contract signed by both the Customer affiliate and the event official, and a receipt indicating that a deposit for the booth has been paid. Approval is given only for the event specified. Any requests to participate in future events must again be submitted to the Legal Department. Harmonic further reserves the right to refuse authorization to participate at any function which it does not deem a suitable forum for the promotion of its products, services, or the Harmonic

program. Approval will not be given for swap meets, garage sales, flea markets or farmer's markets as these events are not conducive to the professional image Harmonic wishes to portray.

### **3.8 - Conflicts of Interest**

#### **3.8.1 - Non-solicitation**

Harmonic Customer affiliates are free to participate in direct sales, network marketing, and affiliate business ventures or marketing opportunities. However, during the term of this Agreement, Customer affiliates may not recruit either directly or indirectly other Harmonic Customer affiliates or Customers for any other network marketing business. Following the cancellation of this Agreement for any reason and by either party, and for a period of six months thereafter, a former Customer affiliate may not recruit either directly or indirectly, any Harmonic Customer affiliate or Customer for another network marketing business if: 1) that Customer affiliate or Customer was in the former Customer affiliate's downline marketing organization; or 2) the former Customer affiliate met, developed a relationship with, or gained knowledge of the Customer affiliate or Customer by virtue of their mutual participation in Harmonic. 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 Harmonic Customer affiliate or customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Customer affiliate's actions are in response to an inquiry made by another Customer affiliate or Customer.

Customer affiliates must not sell, or attempt to sell, any competing non-Harmonic products or services to Harmonic Customers or Customer affiliates. Any product or services in the same generic category as a Harmonic product or service is deemed to be competing (e.g., any telephone or internet service is in the same generic category as Harmonic's products, and is therefore a competing product, regardless of differences in area coverage, cost, or method of delivery).

Customer affiliates may not display Harmonic products or services with any other products or services in a fashion that might in any way confuse or mislead a prospective customer or Customer affiliate into believing there is a relationship between the Harmonic and non-Harmonic products or services. Customer affiliates may not offer the Harmonic business opportunity, products or services to prospective or existing Customers or Customer affiliates in conjunction with any non-Harmonic program, opportunity, product or service. Customer affiliates may not offer any non-Harmonic business opportunity, products or services at any Harmonic-related meeting, seminar or convention, or immediately following such event.

#### **3.8.2 - Downline Reports**

Downline Reports are available for Customer affiliate access and viewing at Harmonic's official website. Customer affiliate access to their Downline Reports is password protected. **All Downline**

**Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to Harmonic.** Downline Reports are provided to Customer affiliates in strictest confidence and are made available to Customer affiliates for the sole purpose of assisting Customer affiliates in working with their respective Downline Organizations in the development of their

Harmonic business. Customer affiliates should use their Downline Reports to assist, motivate, and train their downline Customer affiliates. The Customer affiliate and Harmonic agree

that, but for this agreement of confidentiality and nondisclosure, Harmonic would not provide Downline Reports to the Customer affiliate. A

Customer affiliate shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

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

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

### **3.9 - Cross-Sponsoring**

Actual or attempted cross sponsoring is strictly prohibited. "Cross sponsoring" is defined as the enrollment of an individual who or entity that already has a current Customer or Customer affiliate Agreement on file with Harmonic, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited. Customer affiliates shall not demean, discredit or defame other Harmonic Customer affiliates in an attempt to entice another Customer affiliate to become part of the first Customer affiliate's marketing organization. This policy shall not prohibit the transfer of a Harmonic business in accordance with Section 3.22.

### **3.10 - Errors or Questions**

If a Customer affiliate has questions about or believes any errors have been made regarding commissions, bonuses, Downline Reports, or charges, the Customer affiliate must notify Harmonic's Rep Support in writing within sixty (60) days of the date of the purported error or incident in question. Harmonic will not be responsible for any errors, omissions or problems not reported to the Company within sixty (60) days.

### **3.11 - Governmental Approval or Endorsement**

Neither federal nor state regulatory agencies or officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Customer affiliates shall not represent or imply that Harmonic or its Marketing and Financial rewards plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

### **3.12 - Holding Applications or Orders**

Customer affiliates must not manipulate enrollments of new applicants and purchases of products. All Customer affiliate Applications and Agreements, and product orders must

be sent to Harmonic within 72 hours from the time they are signed by a Customer affiliate or placed by a customer,

respectively.

### **3.13 - Identification**

All Customer affiliates are required to provide their Social Security Number, ITIN or a Federal Employer Identification Number to Harmonic on the Customer affiliate Application and Agreement. It is the Customer affiliate's responsibility to provide Harmonic with the proper Social Security Number, ITIN, or Taxpayer Identification Number. If the information that is provided is false or if the Internal Revenue Service notifies Harmonic that the information does not match their records, then Harmonic will suspend the Customer affiliate, and hold all future commissions until the matter is resolved. Upon enrollment, the Company will provide a unique Customer affiliate Identification Number to the Customer affiliate by which he or she will be identified. This number will be used to place orders, and track commissions and bonuses.

### **3.14 - Income Taxes**

Each Customer affiliate is responsible for paying local, state, and federal taxes on any income generated as an Independent Customer affiliate. If a Harmonic business is tax exempt, the Federal tax identification number must be provided to Harmonic. Every year, Harmonic will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who had earnings in the previous calendar year.

### **3.15 - Independent Contractor Status**

Customer affiliates are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between Harmonic and its Customer affiliates does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Customer affiliate for purposes of the Social Security Act, the Federal Unemployment Tax Act, Federal income Tax laws or any other laws governing employees. All Customer affiliates are responsible for paying local, state, and federal taxes due from all compensation earned as a Customer affiliate of the Company. The Customer affiliate has no authority (expressed or implied), to bind the Company to any obligation. Each Customer affiliate shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Customer affiliate Agreement, these Policies and Procedures, and applicable laws.

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

Customer affiliate's Name  
Independent Harmonic Customer affiliate

All Customer affiliates may list themselves as an "Independent Harmonic Customer affiliate" in the white or yellow pages of the telephone directory under their own name. No Customer affiliate may place telephone directory display ads using Harmonic's name or logo. Customer affiliates may not answer

the telephone by saying “Harmonic”, or in any other manner that would lead the caller to believe that he or she has

reached corporate offices of Harmonic. No Customer affiliate may use Harmonic or any of Harmonic's registered trademarks or logos in their e-mail addresses or web addresses.

### **3.16 - Insurance**

You may wish to arrange insurance coverage for your business, as Harmonic does not provide insurance property or liability coverage for Customer affiliates. Your homeowner's insurance policy does not cover business-related injuries, or the theft of or damage to inventory or business equipment. Contact your insurance agent to make certain that your business property is protected. This can often be accomplished with a simple "Business Pursuit" endorsement attached to your present homeowner's policy.

### **3.17 - International Marketing**

Because of critical legal and tax considerations, Harmonic must limit the resale of Harmonic products and services, and the presentation of the Harmonic business to prospective customers and Customer affiliates located within the United States and U.S. Territories and those countries that Harmonic has officially announced are open for business.

### **3.18 - Adherence to Laws and Ordinances**

#### **3.18.1 - Local Ordinances**

Many cities and counties have laws regulating certain home-based businesses. In most cases these ordinances are not applicable to Customer affiliates because of the nature of their business. However, Customer affiliates must obey those laws that do apply to them. If a city or county official tells a Customer affiliate that an ordinance applies to him or her, the Customer affiliate shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of Harmonic. In most cases there are exceptions to the ordinance that may apply to Harmonic Customer affiliates.

#### **3.18.2 - Compliance With Federal, State, Local Laws**

Customer affiliates shall comply with all federal, state, and local laws and regulations in the conduct of their businesses.

### **3.19 - Minors**

A person who is recognized as a minor in his/her state of residence may not be a Harmonic Customer affiliate. Customer affiliates shall not enroll or recruit minors into the Harmonic program.

### **3.20 - One Harmonic Business Per Customer affiliate and Per Household**

No individual may have, operate or receive compensation from more than one Harmonic business. Individuals of the same family unit may not enter into or have an interest in more than one Harmonic Business other than a Husband and Wife pursuant to the terms of 3.20.1. A "family unit" is defined as dependent children living at or doing business at the same address. An exception to the family unit policy will be considered on a case-by-case basis. or in cases of a Customer affiliate receiving an interest in another business through inheritance. Requests for exceptions to policy must be submitted in writing to the Legal Department.



### **3.20.1 – Husband and Wife**

A husband and wife may operate under the same Customer affiliate position or independently. If the husband and wife choose to operate independently, then one spouse must be sponsored by the other. Harmonic reserves the right to ensure that husband and wife Customer affiliate positions independently operated are correctly sponsored and make any necessary corrections. Spouses that choose to operate the same position will be treated as partners.

### **3.20.2 - Actions of Household Members or Affiliated Individuals**

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

### **3.21 - Requests for Records**

Any request from a Customer affiliate for copies of invoices, applications, Downline Reports, or other records will require a fee of \$1.00 per page per copy. This fee covers the expense of mailing and time required to research files and make copies of the records.

### **3.22 - Sale, Transfer or Assignment of Harmonic Business**

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

- 3.22.1** - Protection of the existing line of sponsorship must always be maintained so that the Harmonic business continues to be operated in that line of sponsorship.
- 3.22.2** - The buyer or transferee must be (or must become) a qualified Harmonic Customer affiliate. If the buyer is an active Harmonic Customer affiliate, he or she must first terminate his or her Harmonic business simultaneously with the purchase, transfer, assignment or acquisition of any interest in the new Harmonic business.
- 3.22.3** - Before the sale, transfer or assignment can be finalized and approved by Harmonic, any debt obligations the selling Customer affiliate has with Harmonic must be satisfied.
- 3.22.4** - The selling Customer affiliate must be in good standing and not in violation of any of the terms of the Agreement in order to be eligible to sell, transfer or assign a Harmonic business.

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

**3.23 - Separation of a Harmonic Business**

Harmonic Customer affiliates sometimes operate their  
Harmonic businesses as husband-wife

partnerships, partnerships, LLCs, LLPs, corporations, or trusts. At such time as a marriage may end in divorce or a corporation, partnership or trust (the latter three entities are collectively referred to herein as “entities”) may dissolve, arrangements must be made to assure that any separation or division of the business is accomplished so as not to adversely affect the interests and income of other businesses up or down the line of sponsorship. If the separating parties fail to provide for the best interests of other Customer affiliates and the Company, Harmonic will involuntarily terminate the Customer affiliate Agreement.

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

- 3.23.1** - One of the parties may, with consent of the other(s), operate the Harmonic business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize Harmonic to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.
- 3.23.2** - The parties may continue to operate the Harmonic business jointly on a “business-as-usual” basis, whereupon all compensation paid by Harmonic will be paid according to the status quo as it existed prior to Harmonic’s receipt of notice of the divorce or dissolution proceeding. This is the default procedure.

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

If a former spouse has completely relinquished all rights in their original Harmonic business, they are thereafter free to enroll under any sponsor of their choosing. In such case, however, the former spouse or partner shall have no rights to any Customer affiliates in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new Customer affiliate. In the case of business entities, the former business associates who do not receive the Harmonic business must wait six calendar months from the date of the dissolution before reapplying.

### **3.24 - Stacking**

“Stacking” is strictly prohibited. The term “stacking” includes: (a) providing financial assistance to new Customer affiliates or paying for new telephone customers for the purpose of maximizing compensation pursuant to Harmonic’s Marketing and Financial

rewards plan; (b) violating the one business per household rule; and/or (c) enrolling fictitious individuals or entities into the Harmonic financial rewards plan.

**3.25 - Succession**

Upon the death or incapacitation of a Customer affiliate, his or her business may be passed to his or

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

**3.25.1** - Execute a Customer affiliate Agreement;

**3.25.2** - Comply with terms and provisions of the Agreement; and

**3.25.3** - Meet all of the qualifications for the deceased Customer affiliate's status.

**3.25.4** - Bonus and commission checks of a Harmonic business transferred pursuant to

this section will be paid in a single check jointly to the devisees. The devisees must provide Harmonic with an "address of record" to which all bonus and commission checks will be sent;

**3.25.5** - If the business is bequeathed to joint devisees, they must form a business entity and acquire a federal taxpayer Identification number. Harmonic will issue all bonus and commission checks and one 1099 to the business entity.

### **3.26 - Transfer Upon Death of a Customer affiliate**

To effect a testamentary transfer of a Harmonic business, the successor must provide the following to Harmonic: (1) an original death certificate; (2) a notarized copy of the will or other instrument establishing the successor's right to the Harmonic business; and (3) a completed and executed Customer affiliate Agreement.

### **3.27 - Transfer Upon Incapacitation of a Customer affiliate**

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

### **3.28 - Telephone Solicitation and Cold Calling**

Customer affiliates agree that they shall not engage in telemarketing or cold calling in their Harmonic businesses. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Harmonic product or service, or to recruit them for the Harmonic business opportunity. For purposes of these Policies and Procedures, "cold calls" made to prospective customers or Customer affiliates that promote either Harmonic's products or services or the Harmonic business opportunity constitute telemarketing. Telephone call(s) placed to a prospective customer or Customer affiliate (a "prospect") with whom a Customer affiliate has an established business relationship are also considered telemarketing, and are governed, just as cold calls are, by Federal and State Telemarketing Laws, and are permitted. An "established business relationship" is a relationship between a Customer affiliate and a prospect based on: (1) the prospect's purchase, rental, or lease of goods or services from

the Agent within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect's purchase of a product or service; or (2) a financial transaction between the prospect and the Customer affiliate within the eighteen (18) months immediately preceding the date of such a call; or (3) the prospect's inquiry or application regarding a product or service offered

by the Customer affiliate, within the three (3) months immediately preceding the date of such a call.

In addition, Customer affiliates shall not use automatic telephone dialing systems relative to the operation of their Harmonic businesses. The term “automatic telephone dialing system” means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers.

## **SECTION 4 - RESPONSIBILITIES OF DISTRIBUTORS**

### **4.1 - Change of Address or Telephone**

To ensure timely delivery of products, support materials, and commission checks, it is critically important that the Harmonic’s files are current. Customer affiliates Planning to move should send their new address and telephone numbers to Harmonic’s Corporate Offices to the attention of the Customer affiliate Services Department. To guarantee proper delivery, two weeks advance notice must be provided to Harmonic on all changes. Failure to report a change of address could cause a commission check(s) to be lost in the mail. In the event the check is lost, there is a 10-business day waiting period before Harmonic can place a “stop payment” on the check. A stop-payment fee of \$30 will be charged the Customer affiliate to have it re-issued. Harmonic is not responsible for any bank fees that the Customer affiliate may be charged from their bank if the Customer affiliate attempts to cash or deposit the original commission check(s).

### **4.2 - Continuing Development Obligations**

#### **4.2.1 - Ongoing Training**

Any Customer affiliate who sponsors another Customer affiliate into Harmonic must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her Harmonic business. Customer affiliates must have ongoing contact and communication with the Customer affiliates in their Downline Organizations. Examples of such contact and communication

may include, but are not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline

Customer affiliates to Harmonic meetings, training sessions, and other functions. Upline Customer affiliates are also responsible to motivate and train new Customer affiliates in Harmonic product knowledge, effective sales techniques, the Harmonic Marketing and Financial rewards plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Customer affiliates must not, however, violate Section 4.2 (regarding the development of Customer affiliate-produced sales aids and promotional materials).

Customer affiliates must monitor the Customer affiliates in their Downline Organizations to ensure that downline Customer affiliates do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every Customer affiliate should be able to provide documented evidence to Harmonic of his or her ongoing fulfillment of the responsibilities of a Sponsor.

#### **4.2.2 - Increased Training Responsibilities**

As Customer affiliates progress through the various levels of leadership, they will become more

experienced in sales techniques, product knowledge, and understanding of the Harmonic program. They will be called upon to share this knowledge with lesser-experienced Customer affiliates within their organization.

#### **4.2.3 - Ongoing Sales Responsibilities**

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

#### **4.3 - Non-disparagement**

Harmonic wants to provide its independent Customer affiliates with the best products, financial rewards plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing and addressed to Harmonic's Manager of the Network Marketing Business Development. E-mails may be addressed to [wirelessrep@birch.com](mailto:wirelessrep@birch.com). Remember, to best serve you, we must hear from you! While Harmonic welcomes constructive input, negative comments and remarks made in the field by Customer affiliates about the Company, its products, or financial rewards plan serve no purpose other than to sour the enthusiasm of other Harmonic Customer affiliates. For this reason, and to set the proper example for their downline, Customer affiliates must not disparage, demean, or make negative remarks about Harmonic, other Harmonic Customer affiliates, Harmonic's products, the Marketing and Financial rewards plan, or Harmonic's directors, officers, or employees.

In the event Customer affiliates have contact with anyone at Harmonic for any reason, Harmonic expects full cooperation, and Customer affiliates are not to use vulgar language, threaten or demean in any way the Harmonic customer affiliate calling. Doing so will be grounds for immediate termination.

#### **4.4 - Providing Documentation to Applicants**

Customer affiliates must provide the most current version of the Policies and Procedures, Anti-Slamming Agreement, and the Financial rewards plan to individuals whom they are sponsoring to become Customer affiliates before the applicant signs a Customer affiliate Agreement. Additional copies of Policies and Procedures can be acquired from Harmonic, and the most current Policies and Procedures are available on Harmonic's website.

#### **4.5 - Reporting Policy Violations**

Customer affiliates observing a Policy violation by another Customer affiliate should submit a written report of the violation directly to the attention of Harmonic's Legal Department. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

## **SECTION 5 - SALES REQUIREMENTS**



## **5.1 - Product Sales**

The Harmonic Marketing and Financial rewards plan is based upon the sale of Harmonic products and services to end consumers. Customer affiliates must fulfill personal and Downline Organization retail sales requirements (as well as meet other responsibilities set forth in the Agreement) to be eligible for bonuses, commissions and advancement to higher levels of achievement. The following sales requirements must be satisfied for Customer affiliates to be eligible for commissions:

**5.1.1** - Customer affiliates must satisfy the Customer Point requirements to fulfill the requirements associated with their rank as specified in the Harmonic Marketing and Financial rewards plan. "Personal Customer Points" include sales to the Customer affiliate's personal retail customers and his/her personal purchases.

**5.1.2** - At least two-thirds of a Customer affiliate's total monthly Customer Points must be sold to personal retail Customers.

**5.1.3** - Customer affiliates must develop or service at least five retail Customers every month.

## **5.2 - Product and Service Coverage Areas**

Some of Harmonic's products and services are not available in certain parts of the United States and U.S. territories, although Harmonic is aggressively expanding its coverage areas. Check Harmonic's website for the most current listing of product and service coverage areas.

## **5.3 - No Exclusive Territories**

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

## **5.4 - Order Forms**

All Customer affiliates must provide their retail customers with two copies of an official Harmonic order form at the time of the sale. These receipts set forth the consumer protection rights afforded by federal or state law. Customer affiliates must maintain order forms for a period of two years and furnish them to Harmonic at the Company's request.

# **SECTION 6 - BONUSSES AND COMMISSIONS**

## **6.1 - Bonus and Commission Qualifications**

A Customer affiliate must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Customer affiliate complies with the terms of the Agreement, Harmonic shall pay commissions to such Customer affiliate in accordance with the Marketing and Financial rewards plan. The minimum amount for which Harmonic will issue a check is \$20.00. If a Customer affiliate's bonuses and

commissions do not equal or exceed \$20.00 the Company will accrue the commissions and bonuses until they total \$2000. A check will be issued once \$20.00 has been accrued.

## **6.2 - Adjustment to Bonuses and Commissions**

### **6.2.1 - Adjustments for Cancelled Service**

To be a fully commissionable purchase, a Customer must be on Harmonic's services for at least ninety (90) days. If a Customer terminates or switches his or her service prior to the completion of ninety (90) days of service, 100% of the customer acquisition bonus paid to the Customer affiliate who sold the service to the customer will be deducted from subsequent commissions including all commission paid to the Customer affiliate's upline. A Customer affiliate's personal accounts must remain on Harmonic for a period of six (6) full months.



On occasion, Harmonic may determine that the customer points which generated leadership payouts were invalid customers, and, therefore, not eligible for payout.

Examples of this situation may include, but are not limited to:

- **Refused delivery of service, Returned unused, or Undeliverable.** Any Merchandise that is returned to Harmonic as refused, returned unused, or undeliverable **and** the Customer or Customer affiliate requests and qualifies for a full refund as per our Terms and Conditions, the Customer point will be deemed invalid.
- **Fraud Claim.** In situations where the Customer claims fraud due to misrepresentation or fraudulent use of their Credit Card, the Customer point may be deemed invalid after an investigation and research of the available information.
- **Credit Card Charge Backs,** In any situation where a Customer submits a charge back via their banking institution, the customer point will be deemed invalid. This includes charge backs for products as well as Customer affiliate enrollment fees.

In any scenario where the Customer point has been deemed invalid, leadership earnings and/or CABS (Customer Acquisition Bonuses) paid as a result of the specific customer point may be revoked at any and all levels. Multiple occurrences of this activity may be deemed as fraud or “Bonus Buying”, see section 3.3 of the Harmonic Customer affiliate Policies and Procedures Manual

In the event that a deduction from commissions is due Harmonic or Leadership is to be reversed, and the Customer affiliate does not have sufficient commissions or Leadership bonus owed to them, and in the event a personal account of the Customer affiliate has a credit balance on it, Harmonic reserves the right to take the credit balance amount to cover either the commission deduction or Leadership reversal.

### **6.2.3 - Bad Debt**

If a Customer affiliate maintains a Customer account(s) that is in past due status for 90 days or more, Harmonic may charge against the amounts payable to the Customer affiliate an amount equal to one hundred percent (100%), (the “Bad Debt Percentage”) of the outstanding balance of the delinquent account, which will be limited to a four month billing period commencing with the

month in which the account was assigned the past due status.

If any amount from a delinquent account is subsequently collected following charge off, the Customer affiliate will not be entitled to any recovery. Harmonic may provide a different bad debt policy than that which is set forth above for certain products and services.

#### **6.2.4 - Slamming Penalties**

If Harmonic incurs any penalty, fine, judgment, sanction, attorney's fees or court or administrative costs arising from or relating to a Customer affiliate's conduct in the unauthorized switching on a customer's telephone service over to Harmonic's service (slamming), or if Harmonic must issue a credit to the customer in order to resolve a dispute, Harmonic shall deduct all such sums from the Customer affiliate's commission check until Harmonic is fully repaid. This policy shall in no way limit any other available legal claims Harmonic may have against the Customer affiliate, and the Customer affiliate's commission shall not be Harmonic's exclusive source of funds or assets from which it can secure a remedy against the Customer affiliate for slamming. Furthermore, the Harmonic Customer affiliate's Agreement may also be immediately terminated if it is found that the Customer affiliate slammed a Customer's service

#### **6.2.5 - Data Processing Fee**

Harmonic will deduct from all bonus and commission checks a data processing fee of \$.01 per line for downline genealogy reports sent to Customer affiliates. The maximum fee is \$10.00.

#### **6.2.6 – Purchase of Harmonic Merchandise**

**6.2.6.1-** If a Customer affiliate places an order for Harmonic merchandise, and the credit card used to pay for the merchandise is rejected, Harmonic will make one attempt either by telephone or e-mail to obtain good payment information. If Harmonic is unable to obtain good payment information, 100% of the cost of the order plus shipping and handling will be withheld from the next commission check earned by the Customer affiliate. If the amount of the commission check is not enough to cover the entire order, Harmonic will continue to withhold from subsequent commission checks until the amount owed is paid in full.

**6.2.6.2-** In the event the Customer affiliate refuses any merchandise order for any reason, Harmonic will refund the Customer affiliate the amount of the Merchandise order less all shipping fees.

#### **6.2.7 – Other Deductions**

If the Customer affiliate has signed up for any of Harmonic's services, and fails to pay their monthly Harmonic invoice by the due date set out on the invoice, Harmonic reserves the right to take all or whatever portion of their commission check and/or all or

whatever portion of any refund due is necessary in order to pay that invoice even if the entire commission check does not fully cover the invoiced amount.

### **6.3 - Unclaimed Commissions and Credits**

Customer affiliates must deposit or cash commission and bonus checks within **six months** from their date of issuance. A check that remains un-cashed after six months will be void. After a check has been voided, Harmonic will attempt to notify a Customer affiliate who has an un-cashed check by sending a monthly written notice to his or her last known address identifying the amount of the check and advising that the Customer affiliate can request that the check be reissued. There shall be a \$30.00 charge for reissuing a check. This charge shall be deducted from the balance owed to the Customer affiliate.

### **6.4 - Compression**

If a Customer affiliate fails to qualify for a commission during any month, or if a Customer affiliate's business is cancelled for any reason, the Customer Points generated by the non-qualifying Customer affiliate and his/her Customers will be compressed up to the next commission-qualified upline Customer affiliate.

### **6.5 - Reports**

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

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

TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, HARMONIC AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY DISTRIBUTOR OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF OR ACCESS TO PERSONAL AND GROUP SALES VOLUME INFORMATION (INCLUDING BUT NOT LIMITED TO LOST PROFITS, BONUSES, OR COMMISSIONS, LOSS OF OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF HARMONIC OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. TO THE FULLEST EXTENT PERMITTED BY LAW, HARMONIC OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE NO

RESPONSIBILITY OR LIABILITY TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY OR OTHER THEORY WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND

## CONDITIONS RELATED THERETO.

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

## **SECTION 7 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS**

### **7.1 - Disciplinary Sanctions**

Violation of the Agreement, these Policies and Procedures, or any illegal, fraudulent, deceptive or unethical business conduct by a Customer affiliate may result, at Harmonic's discretion, in one or more of the following corrective measures:

- 7.1.1 - Issuance of a written warning or admonition;
- 7.1.2 - Require the Customer affiliate to take immediate corrective measures;
- 7.1.3 - Imposition of a fine, which may be withheld from bonus and commission checks;
- 7.1.4 - Loss of rights to one or more bonus and commission checks;
- 7.1.5 - Harmonic may withhold from a Customer affiliate all or part of the Customer affiliate's bonuses and commissions during the period that Harmonic is investigating any conduct allegedly in violation of the Agreement. If a Customer affiliate's business is canceled for disciplinary reasons, the Customer affiliate will not be entitled to recover any commissions withheld during the investigation period;
- 7.1.6 - Suspension of the individual's Customer affiliate Agreement for one or more pay periods;
- 7.1.7 - Involuntary termination of the offender's Customer affiliate Agreement;
- 7.1.8 - Any other measure expressly allowed within any provision of the Agreement or which Harmonic deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Customer affiliate's policy violation or contractual breach;
- 7.1.9 - In situations deemed appropriate by Harmonic, the Company may institute legal proceedings for monetary and/or equitable relief.

### **7.2 - Grievances and Complaints**

When a Customer affiliate has a grievance or complaint with another Customer affiliate regarding any practice or conduct in relationship to their respective Harmonic businesses, the complaining Customer affiliate should first report the problem to his or her Sponsor who should review the matter and try to resolve it with the other party's upline sponsor. If the matter cannot be resolved, it must be reported in writing to the Legal Department at the Company. The Legal Department will review the facts and attempt to resolve it.

## **SECTION 8 - PAYMENT AND SHIPPING**



### **8.1 - Returned Checks**

All checks returned by a Customer affiliate's bank for insufficient funds will be re-submitted for payment. A \$30.00 returned check fee will be charged to the account of the Customer affiliate. After receiving a returned check from a customer or a Customer affiliate, *all future orders must be paid by, money order or cashier's check. Any outstanding balance owed to Harmonic by a Customer affiliate for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks. A Customer affiliate fee that is paid by check that subsequently is insufficient, will cause the Customer affiliate to be suspended immediately. If after a two week period the insufficient check amount and the returned check fee set out above are not cured, the Customer affiliate will be terminated.*

### **8.2 - Restrictions on Third Party Use of Credit Cards and Checking Account**

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

### **8.3 – Chargebacks on Credit Card Transactions**

If a Customer affiliate pays his Customer affiliate fee with a credit card and subsequently charges back that amount, or in the event any amounts previously paid on any account either in the Customer affiliate's name or paid for by the Customer affiliate on behalf of another Customer or Customer affiliate, are charged back, the Customer affiliate will no longer be in good standing, and Harmonic will automatically terminate the Independent Customer affiliate Agreement. There will be a \$30.00 fee assessed for any chargeback.

## **SECTION 9 - INACTIVITY AND CANCELLATION**

### **9.1 - Effect of Cancellation**

So long as a Customer affiliate remains active and complies with the terms of the Customer affiliate Agreement and these Policies and Procedures, Harmonic shall pay commissions to such Customer affiliate in accordance with the Marketing and Financial rewards plan. A Customer affiliate's bonuses and commissions constitute the entire consideration for the Customer affiliate's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following a Customer affiliate's non-renewal of his or her Customer affiliate Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Customer affiliate Agreement (all of these methods are collectively referred to as "cancellation"), the former Customer affiliate shall have no right, title, claim or interest to the marketing organization which he or she operated, or any commission or bonus from the sales generated by the organization. **A Customer affiliate whose business is cancelled will permanently lose all rights as a Customer affiliate. This includes the right to sell Harmonic products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Customer affiliate's former downline sales organization. In the event of cancellation, Customer affiliates agree to waive all rights they may have, including but not limited to property rights, to their former downline organization**

**and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former downline organization.**

Following a Customer affiliate's cancellation of his or her Customer affiliate Agreement, the former

Customer affiliate shall not hold himself or herself out as a Harmonic Customer affiliate and shall not have the right to sell Harmonic products or services. A Customer affiliate whose Customer affiliate Agreement is cancelled shall receive commissions and bonuses only for the last full pay period he or she was active prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

### **9.2 - Involuntary Cancellation**

A Customer affiliate's violation of any of the terms of the Agreement, including any amendments that may be made by Harmonic in its sole discretion, may result in any of the sanctions listed in Section 8.1, including the involuntary cancellation of his or her Customer affiliate Agreement. Cancellation shall be effective on the date on which written notice is mailed, faxed, or delivered to an express courier, to the Customer affiliate's last known address (or fax number), or to his/her attorney, or when the Customer affiliate receives actual notice of cancellation, whichever occurs first.

### **9.3 - Voluntary Cancellation**

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

### **9.4 - Non-renewal**

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

### **9.5 - Montana Residents**

A Montana resident may cancel his or her Customer affiliate Agreement within 15 days from the date of enrollment, and may return his or her starter kit for a full refund within such time period.

## **SECTION 10 - DEFINITIONS**

**Active Customer or Customer** — A Customer who purchases Harmonic products or services and pays their bill monthly.

**Active Customer affiliate** --- A Customer affiliate who is in good standing.

**Agreement** - The contract between the Company and each Customer affiliate includes the Customer affiliate Application and Agreement, the Harmonic Policies and Procedures, the Harmonic Marketing and Financial rewards plan, and the Business Entity Form (where appropriate), all in their current form and as amended by Harmonic in its sole discretion. These documents are collectively referred to as the "Agreement."

**Cancel** — The termination of a Customer affiliate's business. Cancellation may be either voluntary, involuntary, or through non-renewal.

**Commissionable Products/Services** — All Harmonic products  
and services on which