

RULES AND REGULATIONS (DECLARATIONS and COVENANTS BY APPLICANT)

1 ELIGIBILITY

1.1 Any Indian citizen above the age of 18, capable of entering into a contract as per Indian law, regardless of sex, race, political belief or region, may apply for registration as Independent Distributor of CNI Enterprise (India) Pvt. Ltd. ("the Company") provided such application is complete with all details sought and is sponsored by another already registered and authorized Independent Distributor of the Company.

1.2 It shall not be permissible for a person to be sponsored by his spouse for the purpose of becoming Independent Distributor of the Company. The individual shall mention the PAN (Permanent Account Number) in the application, failing which the application shall be summarily rejected.

1.3 It shall not be permissible for both spouses to be Independent Distributors with the Company, except under the circumstances specified in the following rule. In the event of two individuals, have already been separately appointed as Independent Distributors by the Company prior to their marriage, one of them shall relinquish his/her Independent Distributorship within a period of 30 days from the date of marriage. The Independent Distributorship held by either of the spouse is considered to be one Independent Distributorship. Both spouses shall have a common Independent Distributorship number with the Company. However this rule shall not apply in a situation where either of the Independent Distributors is at RAM position and above at the time of marriage. If either of the Independent Distributors is at RAM position and above, both Independent Distributors may continue to operate separately under the original line of sponsorship.

1.4 The Company reserves the right to reject any application for registration as Independent Distributor without assigning any reasons whatsoever. The decision of the Company will be final.

1.5 A Company or partnership or association of persons by any name whatsoever called whether registered or not shall not be entitled to be registered as Independent Distributor with the Company. Only individuals who satisfy the criteria specified by the Company and continue to satisfy the criteria specified by the Company from time to time, during the course of their Independent Distributorship agreement with the Company, shall be entitled to register and remain registered as Independent Distributors of the Company.

1.6 No person shall be entitled to hold more than one (1) Independent Distributorship in the Company at any one time nor shall any person be Directly or Indirectly interested or have or own any financial interest (Directly or Indirectly) in the Independent Distributorship of another person in the Company other than any interest acquired by way of transfer, sale of assignment to which the Company has granted its written consent or is otherwise acquired by the person as a named beneficiary of the Independent Distributor.

2. MODE AND MANNER OR APPLICATION

2.1 Applicants for being registered as Independent Distributor with the Company and satisfying the eligibility criteria shall submit their application for registration in the form prescribed by the Company.

2.2 Selected applicants will be appointed and registered as non-exclusive Independent Distributors of the Company and would be provided by the Company with a Independent Distributorship Card. No person shall be deemed to be an Independent Distributor of the Company prior to the Company issuing such a person a valid Independent Distributorship Card / ID Card. It is made very clear to such persons who have opted out of their own free to become Independent distributor to understand that CNI does not guarantee any instant success or money, the commission that can be earned by Independent distributors is solely based on the quantum of sales of products achieved by each of such distributors.

3. SPONSORSHIP

3.1 Subject to the provisions of rule 1.2,1.3 and 1.5 hereof, a registered and authorized Independent Distributor registered with the Company may sponsor any person who satisfies the requirements stipulated in the Rules and Regulations to be a Independent Distributor and the criteria specified by the Company from time to time. However, when the person being sponsored has to be a citizen of India., .

3.2 An Independent Distributor shall not procure or induce any person to become an Independent Distributor of the Company.

(a) By force or coercion or threats

(b) By making or providing false or misleading information or representation including without any limitation, the false representation that a Independent Distributor would obtain financial gain merely through the act of sponsoring persons to be the Independent Distributors of the Company.

(c) By providing or promising to provide gifts, cash or other form of incentive and

(d) Falsely or fraudulently using the Company's name or logo or trademark to induce or entice a person to become a Independent Distributor.

Should any dispute arise thereafter, the upline will be held liable for any consequences arising there from and the company will not be liable nor be held responsible for any losses incurred by anyone.

3.3 A Independent Distributor shall not sponsor any person who was previously registered as a Independent Distributor.

3.4 A Independent Distributor shall not Directly or Indirectly entice or instigate a person sponsored by another Independent Distributor or the down line of any other Independent Distributor to leave his/her sponsor and/or thereafter sponsor that person as a Independent Distributor of the Company. (This clause may not be required as once an Independent distributor is sponsored by one person he/she will be under a certain person and he/she cannot be registered again through any other person)

3.5 Immediately upon appointment by the Company, a sponsoring Independent Distributor must forthwith provide proper business training and guidance to the new Independent Distributor sponsored by him/her.

3.6 A Independent Distributor must maintain an independent and professional relationship with his down line. The up-line or downline order of a particular Independent Distributor shall not be changed for any reason whatsoever, unless so authorized by the company in writing and with all required documents. However, it is at the discretion of the company do so and its decision will be final.

3.7 No fraudulent means or manipulations should be used by any Independent Distributor to sponsor individuals into his / her group so as to reach a particular ranking or receive monetary benefit or incentives. Should this be the case and the company is reasonably satisfied this to be the case, the Independent Distributor's Independent Distributorship is liable to be cancelled and all benefits accrued will be forfeited.

4. DURATION AND RENEWAL OF REGISTRATION

4.1 The registration of a person as a Independent Distributor is at the sole discretion of the Company. The date of registration for all purposes shall be the date mentioned by the Company on the Independent Distributor card issued to the newly appointed Independent Distributor. The company reserves the right to accept or reject application as a Independent Distributor. No rights, interests are created in favour of an applicant based only on an application. The company is not obliged to give any reasons to any person for refusal of such applications.

5. CONDUCT OF BUSINESS

5.1 All registered and valid Independent Distributors will be issued with a Independent Distributorship Card. All Independent Distributors shall carry a valid Independent Distributorship card at all times when conducting any sales or any negotiations and must identify himself/herself with the valid Independent Distributorship Card and Identification Card. The Independent Distributorship card is required to be produced without fail at the time of purchase of Products. Only such Cards whose validity of term is in force shall be accepted. In the state of Kerala the Independent Distributor must carry the ID Card issued by the Company and a Photo ID Card issued by any government authorities in the respective state. The Distributors shall mandatorily comply with the guidelines issued by the Kerala Govt for conduct of direct selling or multi level marketing business.

5.2 An Independent Distributor must issue receipts to the purchaser of any CNI Products and the receipt must state clearly the product, price, Independent Distributor's Name, Code Number, Address & Contact Number and must be signed by the Independent Distributor.

5.3 A Independent Distributor shall comply with and abide by the Code of Conduct contained herein (including any amendments thereto) issued by the Company or any rules that may be prescribed by the Company from time to time.

5.4 A Independent Distributor shall present the Company's Products and Entrepreneur Development Plan to potential customers or Independent Distributors in an honest and truthful manner and shall not make any false or misleading representations in his/her enthusiasm to sell the Company's Products and on no account whatsoever shall the Independent Distributor use racial, political, religious or other sensitive issues to sell the Company's Products.

5.5 A Independent Distributor must demonstrate and explain clearly to the purchaser and his down line the proper usage and effects of the Products and shall not on any account whatsoever make any false, misleading or other misinterpretation with regard to the description of the Products, its usage, effects and efficacy. The Independent Distributors shall not Directly or Indirectly do anything that would violate the law of the land in the course of fulfilling his/her obligations under his or her contract with the Company. In the event the Independent Distributor makes any false, other misinterpretation with regard to the description of the Products, its usage, effects and efficacy to any persons, he shall keep the Company indemnified against any claims of loss and damage suffered by Company in this regard by any third parties.

5.6 It is understood that the arrangements between the parties contemplated herein shall be on a principal-to-principal basis. None of the provisions herein will be deemed to constitute a joint venture, a partnership or a principal-agent relationship between the parties here to and neither party by virtue of the Distribution Agreement shall have the power of authority to act or create any obligation, express on behalf of the other party. Nothing stated herein shall be construed as constituting the Independent Distributors and the Company as partners, or as creating the relationships of employer and employee, master and servant, or principal and agent between the parties hereto. The appointment of any sub-Independent Distributors by the Independent Distributor shall not operate as an assignment of any or all of the Independent Distributors obligations hereunder. The Independent Distributors shall remain responsible for the acts and omissions of such sub-Independent Distributor(s) and shall cause each sub Independent Distributor to comply with the obligations of the Independent Distributor herein. The Independent Distributor shall ensure that he obtains all necessary approvals, consent etc as may be required to be obtained by the Independent Distributor under all applicable laws in respect of the responsibilities of the Independent Distributor hereunder. The Independent Distributor shall be responsible to submit the statement of his income and accounts to the relevant authorities and shall bear all taxes, penalties and fines imposed by the relevant authorities. The Company shall be entitled to deduct tax at source from all payments to be made by the Company to the Independent Distributor as may be mandated by law and pay the same to the Income Tax Department and issue TDS Certificate accordingly.

5.7 A Independent Distributor shall not have the right and shall not claim to have the right to represent or have the authority to represent the Company in any matters or transaction whatsoever.

5.8 A Independent Distributor belonging to the Executive Rank (i.e RAM and above or as stipulated by the Company) or enjoying the benefits of the Executive Rank and upwards shall not or in any way be involved or interested either Directly or Indirectly in the activities of any other Company carrying on a Business similar to the Business of our Company and/or in competition with the Business of our Company and/ or any other Direct sales Company or Direct Selling Company. The Company reserves the right to terminate any Independent Distributor of a non Executive level at any time should it deem that

any action/s of the Independent Distributor is harmful to the Company or its Independent Distributors in general. The Company at its sole discretion shall decide whether a Business or product is similar to or competing with the Business of the Company etc., and the Independent Distributor agrees to abide by such decision. Notwithstanding the generosity of the earlier clause, a Independent Distributor is deemed to be Directly or Indirectly involved in the activities of another Direct sales Company, competitive Business/ Products Company if :-

(a) He and/ or his spouse is/are employees (executive or management level.) shareholder (more than one percent of the paid up shareholding of such Company) or Directors of another Direct sales Company, competitive Business/Products Company or controls either Directly or Indirectly and such Direct sales Company, competitive Business/Products Company.

(b) He and/or his spouse is/are Independent Distributors or Independent Distributors of another Direct sales Company, competitive Business/Products Company or

(c) If he and/or his spouse is/are involved in selling, distributing or promoting Products of another Direct sales Company, competitive Business/Products Company.

(D) Entices prospects or existing Independent Distributors to join him / her in another Direct Sales Company, competitive Business/ Products Company

5.9 It shall be the obligation of the Independent Distributor to ensure that his/her spouse does not Directly or Indirectly do any act or deed which would result in any breach of any law or regulation governing Direct Sales set by the Company, Direct selling association or the government would result in breach of any of the terms and conditions of the Rules and Code of Conduct of the Company or would entitle the Company to terminate or suspend the appointment of the Independent Distributor. Where the spouse of the Independent Distributor does any act or thing and if such act or thing if done or carried out by the Independent Distributor would result in a breach of any law or regulation of the land or would result in the breach of any of the terms and conditions of the Rules and Code of Conduct of the Company or would entitle the Company to terminate or suspend the appointment of the Independent Distributor, then the actions of the spouse shall be deemed to be the actions of the Independent Distributor and all rights and remedies that the Company may have against the Independent Distributor under these Rules and Regulations or in law or in equity shall be enforceable against the Independent Distributor as if the action of the Independent Distributor's spouse is/are the action(s) of the Independent Distributor himself.

5.10 A Independent Distributor shall not sell, display or promote any of the CNI Products in shops, market/store, mini market, supermarket, shopping complex, departmental store clubs (private or otherwise) or any places open to the public or a section of the public and the Independent Distributor is prohibited from placing advertisement in newspapers/magazines or other publications, promoting himself/herself or promoting CNI Products.

5.11 A Independent Distributor shall not sell or distribute any of the CNI Products at any price or terms other than that stipulated and agreed upon by the Company and shall not provide any gifts, discounts or other promotional gimmicks in the sales and distribution of any of the Company's Products

other than that approved by the Company. The distributor shall also ensure that the consumers are aware of their right to return the product intact in original condition within 30 days from the date of sale if they are not interested to use the product, on such return of the product in original condition, the distributor shall refund the amount to the consumer.

5.12 A Independent Distributor shall not use the Company's Logo, Name, Trademark or Slogan for any purpose whatsoever, without the prior written consent of the Company. The Independent Distributors are not entitled to have the letterheads printed using CNI Company Logo or Name, Insignia etc., The Company shall not be liable to pay for any such unauthorized acts and the Independent Distributors found violating this shall be warned of termination without reasons.

5.13 A Independent Distributor shall not on any account or under any guise whatsoever sell or distribute or enter into any agreement to sell or distribute any of CNI Products under the name of another Independent Distributor whether or not that other Independent Distributor consents to such sale or distribution under his Name. A Independent Distributor shall not entice or make any agreement with his downline, upline or the downline, upline of another Independent Distributor whereby the sale of his downline or the downline of the other Independent Distributor is passed off as the sales of the Independent Distributor.

5.14 A Independent Distributor shall not sell or distribute any of the Company's Products where the shelf life of the Products has expired. The Independent Distributors, WPs / WC's / PWC's shall not redeem their vouchers, discount coupons in favour of any other Independent Distributors or Upline Independent Distributors.

5.15 A Independent Distributor shall not say, spread or publish any misrepresentations about the Company or its Products and shall not say, spread or publish any remark or statement, which would or is likely to affect adversely the interest, image and or reputation of the Company or the sales of its Products. Should this be the case, the Company reserves the right to institute any action against the Independent Distributor it deems appropriate to nullify / control the consequences arising thereof, suggests that the Independent Distributor or the Company and employment opportunity in any form.

5.16 All intellectual property in printed materials of the Company, Logos, Manuals etc., shall at all times vest solely with the Company and the Independent Distributor shall not have any right whatsoever over the same. The Independent Distributor shall not reproduce in whole or in part any such intellectual property of the Company without first obtaining prior written consent of the Company. The Independent Distributor accepts and agrees that he/she shall not acquire nor have any claim to the ownership of any of the trademarks used by the Company in respect of the Products including without limitation, the trademarks "CNI" arising out of the delivery and/or sale of the Products or out of any other circumstances whatsoever, nor will the Independent Distributor do or permit any act which is calculated to jeopardize the continued validity and enforceability of the Company's rights in respect of those trademark including without limitation, the registration of internet domain names consisting of/or including recognizable portions or variations of such trademarks. The Independent Distributor will not register any internet domain using the same or identical websites or Company name or Logo in any way.

5.17 Packaging, labels of the Products or any other sort of the materials related to the Company shall not be tampered with, altered or changed from its original form for whatsoever reason(s) intended by the Independent Distributor. The Product shall be considered to have been used if the cap / seal is opened.

5.18 In the event of any business aid or items of the Independent Distributor violates any applicable law or adversely affects the interest, image and/or reputation of the Company he/she will be required to remove, destroy, cancel whatsoever, such materials made and to be responsible for any cost, damages or other liabilities suffered by the Company.

5.19 A Independent Distributor shall not on any account whatsoever sell or distribute any materials or sales aid or Products other than the Company's Products and other than those supplied during the Company's function, Meetings and Trainings without prior written consent from the Company.

5.20 A Independent Distributor shall not on any account whatsoever do any act or attempt to do any act to entice or persuade any other Independent Distributor to take part in the Sales, Distribution or activities of another Direct Sales Company.

5.21 Upon occurrence if any of the following events and subsequently upon written return request from the Independent Distributor, the Company shall be obliged to buy back the Company's Products from the Independent Distributor at the price paid by the Independent Distributor, less all commissions paid by the Company, in respect of the sale of the said Products and less such processing fees as may be specified by the Company (herein after referred to as "the Buy-back Price"):

(a) Where the Independent Distributor has ceased to be a Independent Distributor of the Company on his own accord; or

(b) Where the Independent Distributor's appointment has been terminated by the Company. Provided always that:

(i) the said Products are in a good and saleable condition and

(ii) The period from the date of purchase of the said Products (supported by the relevant cash bill) to the date of request by the Independent Distributor to the Company to buy back the said Products does not exceed thirty (30) days.

(iii) the Appropriate [BV / PV] and other points or benefits earned by the Independent Distributor from the sale of the said Products are deducted from the Independent Distributors sales and the commission and the other benefits accrued by the Independent Distributor shall be adjusted accordingly and

(iv) The said Products are returned to the Company's head office or branch office. Unless otherwise specified by the Company, the processing fees shall be 10% of the price paid by the Independent Distributor for the Products and sales taxes as applicable shall be deducted.

6. ORDERS AND PAYMENTS

6.1 The Independent Distributor shall place all orders in a timely manner acceptable to the Company. The orders shall be only on cash payment or payment terms approved by the Company and no credit sales shall be entertained.

6.2 The Company shall be entitled to refuse or accept any order placed by the Independent Distributor. The Independent Distributor shall have no claim arising out of any such refusal. Further, no such order shall be of any force of effect unless the Company accepts the order.

6.3 The Company shall be entitled from time to time, and acting in its sole discretion, to with hold delivery of any of the obligations provided for in these presents.

6.4 The Company shall:

(a) Following upon the Independent Distributors agreement, deliver to the Independent Distributor its prevailing price lists for CNI Products; and

(b) Be entitled from time to time and in its sole Direction, to alter such price lists.

6.5 A Independent Distributor may order and purchase Products from any of the WP/WC/PWC of the Company in the country or from the Company's Headquarters on making full payments for the products. The Products purchased by the Independent Distributors, if found defective or otherwise, can be returned in saleable condition within 30 days from the date of purchase.

6.6 The Independent Distributor shall be obliged to pay the Company in respect of the Products that are purchased by the Independent Distributor on such terms and conditions as may be agreed between the parties in writing or in the manner as may be set out in the Entrepreneur Development Plan of the Company, a copy of which has been provided by the Company to the Independent Distributor at the time of the execution of the Independent Distributor Agreement.

6.7 Without prejudice to the Company's rights contained in these Rules & Regulations, the Company shall be entitled, in its discretion, to charge the Independent Distributor interest on any balance outstanding from time to time (if any only), at a rate equal to the prime lending rate charged by the State Bank of India 9hereianfter referred to as "the Bank"), to its customers on overdraft facilities time to time plus 2%.

6.8 All purchase must be in cash and the Independent Distributor must furnish the Independent Distributor Identification Card while purchasing the Products. The Independent Distributor, who has not received the Independent Distributorship Card from the Company, shall produce a copy of Application as proof of Independent Distributorship.

6.9 The title to the Products shall pass to the Independent Distributor on the Independent Distributor purchasing the Products by making full payment for the same and the Company shall not have any further liability in respect of the same.

7. PROMOTION AND BONUS

7.1 A Independent Distributor's promotion and entitlement to bonus shall be as described in the Company's Business Development Plan, as may be amended by the Company from time to time. It is made clear that promotion to higher level is solely based on the volume of sales achieved and marketing leadership qualities.

7.2 The Company reserves the right and the Independent Distributor hereby irrevocably consents and agrees that the Company may amend the Entrepreneur Development Plan and these Rules and Regulations, without the prior consent of the Independent Distributor.

8. TRAINING AND SELF DEVELOPMENT

8.1 A Independent Distributor shall attend all training courses organized or conducted by the Company. Courses concerned with the Products of the Company and Entrepreneur Development Plan of the Company shall be conducted with or without charges. The Company shall be entitled to impose a fee on any courses organized or conducted by the Company from time to time for self-development. The training shall also be given in subjects of law / rules and regulations / guidelines issued by State Governments and Central Government from time to time in conducting direct sales.

8.2 A Independent Distributor shall subscribe to the CNI NEWS to update his knowledge on Product information and the activities of the Company and other matters relating to the business of Direct selling.

8.3 It will be to the advantage of the Independent Distributor to provide a dignified and respectable leadership and Company authorized trainings of its Products and business development to his group Independent Distributors to enhance his business growth and income. It is not the Company's responsibility in all cases to conduct such trainings and the non conduct of such trainings shall not be construed as loss of income for any Independent Distributor in any area or group of Independent Distributors.

8.4 The Company reserves the right to conduct trainings of any kind in the advancement of its business in any territory with or without the consent of any of its Independent Distributors. Such trainings are construed as beneficial for all Independent Distributors.

8.5 The company is not obligated to finance any such training sessions conducted by Independent Distributors and the non financing of such trainings is not be construed as a loss of business or income for a Independent Distributor.

9. RESTRICTION ON TRANSFER OF INDEPENDENT DISTRIBUTORSHIP

9.1 The registration of a Independent Distributor is personal and cannot be transferred in any manner, or assigned without the prior written permission of the Company whose consent may be withheld without assigning any reason whatsoever. The Company may permit the transfer of license of

the Independent Distributor to a beneficiary under exceptional circumstances, only if such a request is made in writing by assigning reasons acceptable to the company. The Company may assign its rights and obligations hereunder to any third party without the requirement of seeking approval of the Independent Distributor.

9.2 Without limiting to the generality of the foregoing, the Independent Distributor shall not be entitled to appoint any agents, sub- agents, licenses, Independent Distributors and /or sub-contractors without first having obtained the prior written consent of the Company thereto.

9.3 Any request by a Independent Distributor for the Company's consent for the rights and benefits of the Independent Distributorship to be transferred sold or assigned must be accompanied by clear and full details of the terms of the transfer, or assignment. A written document of acceptance by the assignee should also accompany the request stating full responsibility to abide by the company's rules, regulations, policies and all other requirements for the conduct of business thereof. Such requests by both parties must be signed and be on legally acceptable formats such as affidavits on a stamp paper.

9.4 Where the Company permits the Independent Distributor to transfer or assign his rights and benefits under the Independent Distributorship:

(a) The Company may impose such terms and conditions as it deems fit and the intended transferee shall satisfy the eligibility and other criteria enlisted herein by the company.

(b) All privileges, benefits and bonus previously awarded to the transferor or accrued and unpaid or redeemed (incentive trip, overseas trip, pin recognition, certificate, recognition in the CNI NEWS etc.,) shall not be transferred to the transferee and the transferee-Independent Distributor must re-qualify and work his way up to the rank of the transferor-Independent Distributor in accordance with the Entrepreneur Development Plan.

(c) Upon any such transfer with the prior written consent of the company, the transferor-Independent Distributor shall have no claim and actions whatsoever against the Company in respect of any matter concerning relating or touching on his Independent Distributorship and any rights interest or benefits derived there-from at any time after the transfer is accepted. The Company reserves the right to assign a new Independent Distributor Independent Distributorship number to the transferee.

10. TERMINATION

10.1 The Company may terminate the Independent Distributorship of a Independent Distributor of any ranking at any time by giving 1 day notice without assigning reasons, in the event the Independent Distributor:

(a) Breaches any law or regulations of the land including without limitation any law governing or regulating Direct sales.

(b) Breaches any of the Rules and Regulations herein or the Code of Ethics.

(c) The Conduct and actions of the Independent Distributor adversely affects or is likely to adversely affect the interests, image or reputation of the Company.

(d) The Independent Distributor commits a criminal offence. In case of violation of Law of Govt. of India

(e) Becomes bankrupt or compromises or attempts to compromise generally with its creditors.

(f) In the opinion of the Company the Independent Distributor is not a fit and proper person to be a Independent Distributor of the Company.

(g) Independent Distributor's application form to the Company contains any false misleading or inaccurate information which may or may not have been evident at the time of acceptance of the ODAF.

(h) The attempted sale, assignment, cession or other transfer by the Independent Distributor of the rights granted to it pursuant to the provisions of the Independent Distributor Agreement, and whether in whole or in part, or any change of its status without the prior written consent of the Company.

(i) If found to mislead by statements of pyramid structure or easy money to consumers.

10.2 In the event the Company is desirous of terminating the Independent distributor agreement without cause it may do so after giving the Independent Distributor 15 days notice in writing of its intention to do so. It is not a requirement for the company to receive a reply to such notice before the termination is effected.

10.3 Notwithstanding anything contained in this Agreement, in the event that the Independent Distributor wishes to terminate the Agreement for whatsoever reason, the Independent Distributor shall provide at least three months prior notice to the Company of his/her intention to terminate the Agreement. Upon the occurrence of such an event, the Independent Distributor shall execute all such agreements and do all such actions as are required by the Company to transfer inter alia his kits, account receivable, publicity material etc., to his successor Independent Distributor if so desired. Otherwise, the request will be implemented at its due time. In instances where deemed necessary, the Company may terminate the Independent Distributorship prior to the cessation of the three months period.

10.4 Where the Independent Distributor dies or becomes insane or permanently disabled, all benefits enjoyed by the Independent Distributor (other than the rank) shall pass to the Independent Distributor's lawful spouse, unless notice to the contrary is received from the Independent Distributor or any legally appointed by him prior to the occurrence of the above events and acknowledged to be received by the Company in writing. Where the lawful spouse precedes or dies simultaneously with the Independent Distributor or fails to survive the Independent Distributor for a period of one (1) month from the Independent Distributor's death then the benefits enjoyed by the Independent Distributor (other than the rank) shall pass to the person named as the beneficiary in the Independent Distributor's application from or to such other person from time to time nominated in writing by the Independent Distributor to be the beneficiary. If no such beneficiaries are named or nominated by the Independent

Distributor all the said benefits of the Independent Distributor shall cease upon the death or insanity or permanent disablement of the Independent Distributor.

10.5 Upon termination of a Independent Distributor's appointment in accordance with the provisions of rule 10.1 hereof, his sponsored Independent Distributors (i.e. his Down line and all group Independent Distributors) will be transferred to his up line subject to the condition that the Company shall be entitled to withhold or suspend the transfer of the Independent Distributor's Down line to his Up line, until such time as the company deems fit.

10.6 Without prejudice to the rights and powers of the Company to terminate the Independent Distributor's appointment pursuant to the provisions of Rules 10 hereof upon the occurrence of all or any of the events described in Rule 10.1 hereof, the Company may at its sole absolute discretion suspend all rights, benefits, privileges and bonus accrued by or due to the Independent Distributor for such period of time and upon such terms and conditions as the Company deems fit. The Independent Distributor shall not be entitled to any rights, benefits, privileges and bonus during the period of suspension and upon the lifting of the suspension by the Company, the Independent Distributor shall not be entitled to any claims for such rights, benefits, privileges, commission or bonus which may or would have accrued to him/her if not for the suspension.

10.7 Upon the termination or suspension of the Independent Distributors appointment by the Company, the Independent Distributors shall forthwith surrender his/her Independent Distributorship Card and all printed material in respect of the Products and the Company in his/her possession to the Company and shall not conduct, sell, distribute or otherwise deal with the Company's Products in any manner or on any account whatsoever.

10.8 Should the Company commit any breach of any provision of this Agreement and fail to remedy such breach, the Independent Distributors shall not be entitled to cancel his Agreement as a consequence of any breach by the Company unless

(a) The breach is a material breach and such breach is incapable of being remedied by payment of compensation or appropriate action by the Company or

(b) If it is capable of being remedied by payment of compensation, the Company fails to pay the Independent Distributor such compensation within sixty days of the amount thereof being determined; and

(c) The Company shall been afforded a reasonable time within which to remedy of such breach, and which period of time in no instance be less than thirty days.

10.9 Upon termination of this Agreement for whatsoever reason:

(a) Any and all rights and privileges of the Independent Distributor granted in terms of the Independent Distributor Agreement shall forthwith cease;

(b) The Independent Distributor shall not make any further sales of the Products;

(c) The Independent Distributor shall either deliver to the Company, or destroy at the request of the Company, all samples, technical pamphlets, catalogues, promotional material, specifications, and any

other material documents relating to the business of the Company, including, without limitation, any list of customers.

(d) The Independent Distributor shall immediately return to the Company, at the Independent Distributor's cost and risk, those Products not already paid for,

(e) The Independent Distributor shall forthwith pay to the company all amounts outstanding in terms of this Agreement and

(f) The Independent Distributor shall forthwith desist in using the trademarks of the Company.

(g) Desist from spreading, publicly making known reason/s for his resignation that is/are negative and detrimental to the Company and its Independent Distributors in general. The Company reserves its rights to institute any appropriate action should it deem necessary.

(H) Cause or entice to cause bona fide Independent Distributors of the company to resign or move to another competitive Company. The Company reserves its rights to institute any appropriate action should it deem necessary.

11. QUALITY

11.1 All Products sold by the Company to the Independent Distributors under the terms of the Independent Distributorship Agreement, shall be of good workmanship, made of good materials, and be free of defects.

11.2 Provided that the Company is notified of any defects in the Products, within 30 working days of purchase along with original invoice. The Company undertakes promptly to repair or replace any such defective Products, or alternatively, to refund the purchase price thereof, at the sole discretion of the Company. The cap or seal of such Products have to be intact, if not, the Product shall not be accepted when returned.

11.3 The above shall be subject to any such alleged defective Products being returned to the Company by the Independent Distributor, and such Products being established by the Company to be defective. Notwithstanding anything to the contrary contained elsewhere, the Company shall not be liable to repair, replace or refund the purchase price in respect of any defective Products, if the defect arose owing to any act or omission of the Independent Distributor, negligence of the Independent Distributor or for no fault of the Company

11.4 Except as provided in 11.2, the Company shall not be liable to the Independent Distributor for any loss or damages of the whatsoever nature, including consequential damages, arising out of any delay or failure by the Company to deliver any order timely, or at all where any such delivery consists of defective Products

12. INDEPENDENT DISTRIBUTOR OBLIGATIONS

12.1 The Independent Distributor undertakes:

(a) adhere to the guidelines issued by respective State Govt or Central Govt or such other authorities apart from the rules and regulations of the company in conduct of business. to use his/her endeavors to promote and extend the sales of the Products throughout the distribution area to all purchasers or potential purchasers, and to work diligently to obtain orders therefore, it being that the Independent Distributor will achieve real growth, each year, in sales of the Products.

(b) to establish and maintain in the distribution area, such premises as may be required by the Independent Distributor in order to comply with its obligations hereunder, and which shall be approved of the Company in writing, and which shall not be relocated or added or extended without the prior consent of the Company.

(c) to grant the Company and its nominees access to such premises at all times;

(d) to grant the Company and its nominees access to its books and records at all times, further authorizing the Company and such nominees to make copies thereof and take extracts there from;

(e) to sell the Products in accordance with instructions furnished to the Independent Distributor by the Company from time to time including without limitation instructions contained in talks, documents, video and other material, and in accordance with any other instructions furnished by the Company to the Independent Distributor, from time to time.

(f) To advice and give guidance and training to their group on organization and conducting of CNI Home Sharing / Parties as may be described orally or in writing by the Company to the Independent Distributor from time to time (at which parties the Products will be described and sold to the persons attending);

(g) Maintain adequate facilities and personnel for the merchandising, selling and delivery of the Products in the distribution area to any customer.

(h) At all times maintain adequate stocks of the Products in the Distribution area and in good order, for distribution and sale to Customers;

(i) Upon delivery of the Products from the Company, bear all risk of damage to and loss of any of the Products so delivered to it by the Company and the Independent Distributor shall be liable to compensate for loss or damage accruing to the Company in this regard, if any;

(j) Sell and supply each of the Products to his/her customers at such prices as shall from time to time be specified to it by the Company.

(k) Use all reasonable endeavors to confine the resale and distribution by him/her of the Products to the Distribution Area, Directly or Indirectly. In no event will the Independent Distributor export any of the Products outside India (hereinafter referred to as "Country"), nor sell to anyone who intends to export the Products outside the Country or who it suspects will export the Products outside the Country without the prior written consent of the Company first being obtained;

- (l) Not in any way pledge, burden or encumber the Products nor make any warranty or representation in respect of Products other than those authorized in writing by the Company.
- (m) Be responsible for all administration (including collection of all cash due to it by debtors) involved in the marketing, distribution and sale of the Products and shall bear all costs and expenses incurred in such administration ;
- (n) Not permit the sale, promotion or distribution of any goods other than the Products, as may be specially permitted by the Company in writing from time to time;
- (o) Not to use or permit the use of the "CNI" or any variation thereof in connection with the sale, promotion or distribution of any goods other than the Products. The Independent Distributor shall not use the name and address of the Company for his personal correspondences with any third party, any violation of this shall be liable for penal action. Once become a Independent Distributor can not be appointed as an employee of the Company thereafter.
- (p) Furnish to the Company, information relating to the sales of the Products and such other information as may from time to time be required by the Company. Other information as to the change in the residential address and contact numbers need to be informed to the Company immediately
- (q) Deliver-up to the Company, whenever the Company requires it to do so all books of account, records, correspondence and notes, including without limitation all computer records, concerning or containing any reference to the Products and business of the Independent Distributor, which belong and/or relating to the Independent Distributor's business and which may be in the possession or under the control, Directly or the Independent Distributor.
- (r) To conduct the Independent Distributor's business in strict compliance with all applicable laws, including without limitation the obtaining of all necessary permits, licenses and authorities. In addition the Independent Distributor undertakes to pay all taxes and debts when due;
- (s) In all respects to conduct the Independent Distributor's business in a fair and ethical manner and not in any manner jeopardize another Independent Distributors conducting of his business activities, and not to engage in any business practice which may reflect adversely on the public image of the Company, the Products and / or the Company's trademarks. The Independent Distributor shall not engage in making false claims by advertising in any media or form.
- (t) The Independent Distributor undertakes to keep its business open during all normal business hours; and to make available to the Company, on demand, its financial statements from time to time, and Company shall at all times have the right to inspect and audit the books and records of the Independent Distributors;
- (u) To make available to the Company, on demand, its financial statements from time to time, and the Company shall at all times have the right to inspect and audit the books and record of the Independent Distributor;
- (v) Acknowledges that the national and international nature of the Internet requires the Company or a related company to assume full control over promotion and sales or the Products via the Internet.

Independent Distributor agrees to, Directly or Indirectly, refrain from constructing (or continuing or operate) any website, chat from bulleting board or other similar service which promotes or sells the Products, without the prior written permission of the Company. Independent Distributor further agrees to assist the Company in efforts to force the removal of any such website, chat room, bulletin board or similar service operated by her or by her authorized dealer up to and including termination of dealings with such authorized dealer.

(w) Acknowledges that the Company has provided the Independent Distributor with the latest copy of the Company's Entrepreneur Development Plan and or rules, regulations and policies and any other information governing the Independent Distributorship upon signing of the ODAF and receipt of the

Independent Distributorship card. It will be the duty of the Independent Distributor to request such in writing . The Independent Distributor agrees to abide and be bound by the terms of the Entrepreneur Development Plan (as amended by the Company from time to time) and terms of all other policies issued by the Company from time to time, in all respects of his / her conduct as a Independent Distributor of the Company. However, in the event of a discrepancy between the terms of the Entrepreneur Development Plan and the provisions of the Independent Distributorship Agreement, the provisions contained in the Independent Distributorship Agreement shall apply.

13. AMENDMENTS

13.1 The Company shall be entitled at any time and from time to time amend, alter, add, delete or substitute or any of the Rules and Regulations herein and the Code of Ethics by announcement or publication in the CNI NEWS or circulars or notice and the Independent Distributor shall be bound by such amendments to the Rules and Regulations and code of Ethics.

13.2 The Company shall keep at its Head Office a definitive and official copy of the Rules and Regulations as revised, modified, amended or substituted from time to time and in the event of dispute as to the contents and import thereof, the official copy shall be the authentic text.

13.3 A Independent Distributor shall be deemed to have knowledge of all the Rules and Regulations for the time being in force and as stated in the official copy of Rules and Regulations aforesaid and it shall be incumbent upon the Independent Distributor to check the latest Rules and Regulations as set out the official and definitive copy of the Rules and Regulations.

14. INDEMINIFICATION AND SET OFF

14.1 The Independent Distributor shall indemnify and hold the Company, its officers, Directors, employees and agents (collectively the "CNI Groups") harmless from and against any and all damages, costs (court cost and attorney's fees including costs of in-house attorney services), losses, fees and expenses suffered by the CNI Group resulting from the Independent Distributor's failure to comply with all the terms and conditions contained herein and the Rules and Regulations prescribed by the Company from time to time.

14.2 In addition to the other indemnities set forth herein, the Independent Distributor shall indemnify and hold the CNI Group harmless from and against all fees, damages, costs and expenses (including, but not limited to, court cost and attorney's fees including the value of the in-house attorney services collectively termed "Damages") that may arise in connection with any claims for injury or damage resulting from all claims of any kind in any way related or arising out of the conduct, actions or omissions of the Independent Distributors, independent contractors, agents or employees of the Independent Distributor, or Independent Distributor's failure to perform any duties or obligations failure to pay any and all taxes, charges, fees or penalties of any kind, or for any injury or damage arising out of any Independent Distributorship. The provision also applies to the damages that may arise in connection with any claims for injury or damage resulting from any claims relating to, arising out of, or derived from the employment relationship between the Independent Distributor and any person, partnership or corporation, whether employed by or associated with the Independent Distributor as a salaried employee, commissioned employee, a subcontractor, or independent contractor.

14.3 The Company shall be entitled to charge back and set off against any sums owned to the Independent Distributor by the Company pursuant to the Independent Distributorship agreement, the aggregate amount of any damages suffered or incurred by CNI Group as a result of the Independent Distributor's violation of this Agreement. The Independent Distributor hereby irrevocably agrees in favor of the Company that all amounts owing to it by the Company from time to time may be set-off by the Company against any amounts due the Company by the Independent Distributor.

15. PROVISION OF ACCURATE AND TIMELY INFORMATION

The Independent Distributor shall provide the Company with such information as may be required from time to time by the Company including without limitation, sales reports, sales volumes, types of Products sold, and details of stock in hand in the format specified by Company. The Company shall from time to time determine the frequency of such reports, the manner in which the reports are to be furnished etc., and the Independent Distributor hereby agrees to abide by the same. The Company will also communicate one copy the CNI news letter to the Independent Distributors for the first year of their Independent Distributorship free of cost and thereafter, the Independent Distributor is required to renew his / her Independent Distributorship to obtain the CNI news letter.

16. CONFIDENTIALITY

The Independent Distributor undertakes that in order to protect the proprietary interest of the Company in the Company's trade secrets and confidential information) hereinafter referred to as "Trade Secrets"), the Independent Distributor will not during his/her association with the Company or at any time thereafter, either use or Directly or Indirectly divulge or disclose to others (except as required by the terms and nature of this Agreement) any of the Company's Trade secrets.

17. DISPUTE RESOLUTION

All disputes and questions of any nature, which at any time arise between the parties to the Independent Distributorship Agreement or their respective representatives and assigns or any of them out of the construction of concerning any thing contained in or arising out of Independent Distributorship Agreement or as to the rights, duties or liabilities under it of the parties to it respectively or their respective representatives shall be referred to arbitration under the Arbitration and Conciliation Act, 1996. Each party shall be entitled to appoint one arbitrator and the arbitrators so appointed shall jointly elect a third arbitrator. The Arbitration proceedings shall be held at Bangalore, India.

18. GENERAL

18.1 No failure or delay on the part of the Company in exercising nor any omission to exercise any right, power or privilege or remedy accruing to the Company upon any default on part of the Independent Distributor, shall affect or impair any such right, privilege or remedy or shall be construed to be a waiver thereof or any acquiescence to such default

18.2 If any provision of these Rules and Regulations of the Code of Ethics or any part thereof shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable the invalidity or unenforceability of such provision shall not affect the other provisions of these Rules and Regulations or the Code of Ethics and all other provisions shall remain in full force and effect. The Company shall replace such un-enforceable provision with another legally valid provision, which as far as possible reflects the original intent of the parties.

18.3 If any provision of these Rules and Regulations or the Code of Ethics or any part thereof contravenes any:

(a) Act of Parliament or Subsidiary legislation.

(b) Orders or government policy.

(c) Terms and conditions as may be imposed by any relevant authority from time to time.

The contravening provision of such Rules and Regulations shall be rendered invalid and unenforceable without affecting the other provisions of these Rules and Regulations or the Code of Ethics. The Company shall replace such unenforceable provision with another legally valid provision, which as far as possible reflects the original intent of the parties.

18.4 If as a result of any breach of a Independent Distributor of any of the terms of the Independent Distributor Agreement, the Company instructs its attorney to make demand or institute legal proceedings against the Independent Distributor, the Independent Distributor shall pay on demand of all legal costs and disbursements so incurred, including the costs of any letter of demand, all collection charges, party, attorney and own client charges.

18.5 All notices under the Independent Distributor Agreement shall be given to the Parties at the address specified below.

(a) The Company at : # 7-8/1, 4th Main, 4th Block, HBR Layout, Kalyan Nagar Post, Bangalore - 560 043, INDIA.

(b) The Independent Distributor AS SPECIFIED IN THE OMAF

18.5.1 Each of the Parties shall be entitled from time to time, by written notice to the other, vary its address within the Country as long as it is not a post office box. No communication is entertained unless it is in writing, signed by the Independent Distributor with his/her ID number and addressed as above. E-mails addressed to the Company shall be from personal ID's of the Independent Distributors.

18.5.2 Any notice given and any payment made by either party to the other (hereinafter referred to as Addressee) which:

(a) is delivered by hand during the normal working hours of the Addressee at the Addressee's address for the time being shall be presumed until the contrary is proved by the Addressee, to have been received by the Addressee at the time of delivery.

(b) is transmitted by facsimile to the addressee's address for the time being shall be presumed, until the contrary is proved by the Addressee, to have been received by the Addressee on the second business day after the date of transmission.

(c) Is posted by prepaid registered post from an address within the country to the Addressee at the Addressee's address for the time being shall be presumed, until the contrary is proved by the Addressee, to have been received by the Addressee on the seventh day after the date of posting.

18.6 This document and the Independent Distributor Agreement constitutes the sole record of the Agreement between the Parties as regards the import hereof.

18.7 No party shall be found by any representation, warranty, promise, or the like not recorded herein.

18.8 Except as otherwise provided herein, no addition to, variation, or agreed cancellation of the Distribution Agreement shall be of any force or effect unless in writing and signed by an authorized official of the Company.

18.9 The Company shall not be liable to pay compensation nor shall it be a ground for termination of this Agreement it fails to fulfill in delivering any of the Products as a result (Weather Directly or Indirectly) of any strike, lockout, fire, flood, inability to obtain materials or carriage or shipping space, breakdown delay of supplier of carrier, governmental act and regulation or act of God or any other cause beyond its reasonable control.

19. DEFINITIONS AND INTERPRETATIONS

19.1 Unless the context otherwise requires the following words and expressions used in these Rules and Regulations shall have the following meaning:-

(a) "Entrepreneur Development Plan" means the Company's Business Development Plan as set including such amendments as may from time to time made by the Company.

(b) "Code of Conduct" means the code of ethics and Rules & Regulations including such amendments, as may from time to time made/issued by the Company governing Independent Distributors.

(c) "Executive Rank "means a Independent Distributor of the Rank Ruby Agency Manager and above.

(d) "Independent Distributor" means the individual registered with the Company as Independent Distributor who satisfies and continues to satisfy the criteria prescribed by the Company in this regard from time to time.

(e) "Identification Card" means one of the following 4 cards:- "Birth Certificate, *Driving Licence, *Passport, *Ration Card.

(f) "Products" means Products of CNI

(g) "TDAF" means Temporary Independent Distributorship Application Form.

(h) "ODAF" means Original Independent Distributorship Application Form.

(i) "Downline" means the person whom you have sponsored to be the Independent Distributor of CNI

(j) "Upline" means the person who sponsors you to be the Independent Distributor of CNI

(k) "CNI News" means the CNI News Magazine.

(l) "Independent Distributorship Area" shall mean predominantly area as has been mutually agreed upon by the parties to this Agreement.

(m) "Independent Distributorship Card" means Identification Card issued by the Company to identify his / her Independent Distributorship with CNI.

19.2 The references are given below unless the Context requires otherwise

(a) references to statutes are statutes in force in India.

(b) references to recitals, clauses and schedules are references to recitals, clauses and schedules of and to these Rules and Regulations unless otherwise stated and references to these presence include the schedules and annexes hitherto.

(c) Clause headings are for convenience and shall not be used in its interpretation.

(d) Unless the context clearly indicates a contrary intention, an expression which indicates any gender includes the other gender.

(e) A natural person includes an artificial person and vice versa

(f) The singular includes the plural and vice versa

(g) All reference to the provisions of statutes includes such provisions as may be amended, modified or re-enacted.

(h) Word indicating the singular number shall include the plural number and vice versa

(i) Where any word or expression is defined in these Rules and Regulations the definition shall extend to all grammatical variations and cognate expressions of the word or expression so defined.

(j) Where the context so permits, all reference to Rules and Regulations shall be deemed to include references to the Agreement and vice versa.

=====<<<<< CNI >>>>>=====