

Lightyear Alliance
A Division of Lightyear Network Solutions, LLC

STATEMENT OF POLICIES
and
PROCEDURES

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STATEMENT OF POLICIES

and

PROCEDURES

SECTION 1 - INTRODUCTION

1.1 - Policies and Compensation Plan Incorporated into Representative Agreement

These Policies and Procedures, in their present form and as amended at the sole discretion of Lightyear Alliance, a division of Lightyear Network Solutions, LLC (hereafter “Lightyear” or the “Company”), are incorporated into, and form an integral part of, the Lightyear Representative Agreement. Throughout these Policies, when the term “Agreement” is used, it collectively refers to the Lightyear Representative Application and Agreement, these Policies and Procedures, the Lightyear Marketing and Compensation Plan, and the Lightyear Anti-Slamming Agreement. These documents are incorporated by reference into the Lightyear Representative Agreement (all in their current form and as amended by Lightyear). It is the responsibility of each Representative 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 Lightyear Alliance website. When sponsoring or enrolling a new Representative, it is the responsibility of the sponsoring Representative to provide the most current version of these Policies and Procedures and the Lightyear Marketing and Compensation Plan to the applicant prior to his or her execution of the Representative Agreement.

1.2 - Purpose of Policies

Lightyear is a network marketing telecommunications company that markets products and services through Independent Representatives. It is important to understand that your success and the success of your fellow Representatives is dependent upon the integrity of the men and women who market our products and services. To clearly define the relationship that exists between Representatives and Lightyear, and to explicitly set a standard for acceptable business conduct, Lightyear has established the Agreement.

Lightyear Representatives are required to comply with all of the Terms and Conditions set forth in the Agreement which Lightyear may amend at its sole discretion from time to time, as well as all federal, state, and local laws governing their Lightyear 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 Lightyear.

1.3 - Changes to the Agreement

Because federal, state, and local laws, as well as the business environment, periodically change, Lightyear reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Representative Agreement, a Representative agrees to abide by all amendments or modifications that Lightyear elects to make. Amendments shall be effective upon notice to all Representatives that the Agreement has been modified. Notification of amendments shall be published in official Lightyear materials and on the Lightyear Alliance website. The Company shall provide or make available to all Representatives a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company's official web site; (2) electronic mail (e-mail); (3) fax-on-demand; (4) voice mail system broadcast; (5) inclusion in Company periodicals; (6) inclusion in product orders or bonus checks; or (7) special mailings. The continuation of a Representative's Lightyear business or a Representative's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

1.4 - Delays

Lightyear 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, 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 Lightyear to exercise any right or power under the Agreement or to insist upon strict compliance by a Representative 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 Lightyear's right to demand exact compliance with the Agreement. Waiver by Lightyear can be effected only in writing by an authorized officer of the Company. Lightyear's waiver of any particular breach by a Representative shall not affect or impair Lightyear's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other Representative. Nor shall any delay or omission by Lightyear to exercise any right arising from a breach affect or impair Lightyear's rights as to that or any subsequent breach.

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

SECTION 2 - BECOMING A REPRESENTATIVE

2.1 Requirements to Become a Representative

To become a Lightyear Representative, each applicant must:

- 2.1.1 - Be of the age of majority in his or her state of residence;
- 2.1.2 - Reside in the United States or U.S. Territories;
- 2.1.3 - Have a valid Social Security or Federal Tax ID number;
- 2.1.4 - Purchase a Lightyear Sales Kit;
- 2.1.5 - Submit a properly completed (originals only - no copies) and signed Representative Application and Agreement to Lightyear; and

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

2.2 – Policies Regarding Current Agents of Lightyear Communications, Inc.

Agents who currently have a contract with Lightyear Communications, Inc. are eligible to become a Representative for Lightyear Alliance provided they meet the requirements set out in Section 3.1 above. Certain other restrictions may apply.

2.3 - No Product or Service Purchase Required

No person is required to sign up for Lightyear services to become a Representative. However, in order to familiarize new Representatives with Lightyear products, services, sales techniques, sales aids, and other matters, the Company requires that they purchase a Sales Kit. Lightyear will repurchase resalable kits from any Representative who terminates his or her Representative Agreement pursuant to the terms of Section 8.1.

2.4 - New Representative Registration

Prospective Representatives may submit an application on-line through their sponsor's replicated website, via U.S. Mail, or via fax. If the application is faxed, both the front and back of the application must be submitted.

2.5 - Representative Benefits

Once a Representative Application and Agreement has been accepted by Lightyear, the benefits of the Marketing and Compensation Plan and the Representative Agreement are available to the new Representative. These benefits include the right to:

- 2.5.1 - Sell Lightyear products and services;
- 2.5.2 - Participate in the Lightyear Marketing and Compensation Plan (receive bonuses and commissions, if eligible);
- 2.5.3 - Sponsor other individuals as Representatives into the Lightyear business and thereby, build a marketing organization and progress through the Lightyear Marketing and Compensation Plan;
- 2.5.4 - Receive periodic Lightyear literature and other Lightyear communications;
- 2.5.5 - Participate in Lightyear-sponsored support, service, training, motivational and

recognition functions, upon payment of appropriate charges, if applicable; and
2.5.6 - Participate in promotional and incentive contests and programs sponsored by Lightyear for its Representatives.

2.6 - Renewal of Your Lightyear Business

The term of the Representative Agreement is one year from the date of its acceptance by Lightyear. Representatives must renew their Representative Agreement each year by paying an annual renewal fee as determined by the Company on or before the anniversary date of their Representative Agreement. If the renewal fee is not paid within 30 days after the expiration of the current term of the Representative Agreement, the Representative Agreement will be canceled. Representatives may elect to utilize the Automatic Renewal Program (“ARP”). Under the ARP, the renewal fee may be: (a) deducted from the Representative’s bonus check for the anniversary month of the Representative Agreement (if it contains sufficient funds); or (b) charged to the Representative’s credit card or checking account.

SECTION 3 - OPERATING A LIGHTYEAR BUSINESS

3.1 - Adherence to the Lightyear Marketing and Compensation Plan

Representatives must adhere to the terms of the Lightyear Marketing and Compensation Plan as set forth in official Lightyear literature. Representatives shall not offer the Lightyear business opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Lightyear literature. Representatives shall not require or encourage other current or prospective Customers or Representatives to participate in Lightyear in any manner that varies from the program as set forth in official Lightyear literature. Representatives shall not require or encourage other current or prospective Customers or Representatives to execute any agreement or contract other than official Lightyear agreements and contracts in order to become a Lightyear Representative. Similarly, Representatives shall not require or encourage other current or prospective Customers or Representatives to make any purchase from, or payment to, any individual or other entity to participate in the Lightyear Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in official Lightyear literature.

3.2 - Advertising

3.2.1 - General

All Representatives shall safeguard and promote the good reputation of Lightyear and its products. The marketing and promotion of Lightyear, the Lightyear business opportunity, the Marketing and Compensation Plan, and Lightyear 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 Lightyear offers, Representatives must use the sales aids and support materials produced by Lightyear. The rationale behind this requirement is simple. Lightyear has carefully designed its products, product labels, Marketing and Compensation Plan, and promotional materials to ensure that each aspect of Lightyear is fair, truthful, and substantiated. If Lightyear Representatives were allowed to develop their own sales aids and promotional materials (which includes Internet advertising),

notwithstanding their integrity and good intentions, the likelihood that they would unintentionally violate any number of statutes or regulations affecting a Lightyear business is almost certain. These violations, although they may be relatively few, would jeopardize the Lightyear business opportunity for all Representatives.

3.2.2 - Representative Web Sites

If a Representative 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 Lightyear replicated websites, and only with the express written permission of Lightyear.

3.2.3 - Domain Names

Representatives may not use or attempt to register any of Lightyear's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain name.

3.2.4 - Trademarks and Copyrights

Lightyear will not allow the use of its trade names, trademarks, designs, or symbols by any person, including a Lightyear Representative, without its prior, written permission. Representatives may not produce for sale or distribution any recorded Company events and speeches without written permission from Lightyear nor may Representatives reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

3.2.5 - Media and Media Inquiries

Representatives must not attempt to respond to media inquiries regarding Lightyear, its products or services, or their independent Lightyear business. All inquiries by any type of media must be immediately referred to Lightyear'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, Representatives 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 Lightyear 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 Lightyear, its products, its compensation 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 Representative 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 Representative and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding products offered by such Representative; 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 Independent Representative Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Representative or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Representatives or Customers (“phantoms”); (d) the use of a credit card by or on behalf of a Representative or Customer when the Representative or Customer is not the account holder of such credit card; (e) Purchasing Lightyear merchandise or services on behalf of another Representative or Customer, or under another Representative’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 Lightyear Representative by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the “Entity Documents”) to Lightyear, along with a properly completed Business Entity Registration form. A Lightyear 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 Representative 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 Lightyear.

3.5 - Changes to an Lightyear Business

3.5.1 - General

Each Representative must immediately notify Lightyear of all changes to the information contained on his or her Representative Application and Agreement. Representatives may modify their existing Representative 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 Representative) by submitting a written request, a properly executed Representative Application and Agreement, and appropriate supporting documentation.

3.5.2 - Addition of Co-Applicants

When adding a co-applicant (either an individual or a business entity) to an existing Lightyear business, the Company requires both a written request as well as a properly completed Representative Application and Agreement containing the applicant and co-applicant’s Social Security Numbers and signatures. To prevent the circumvention of Section 4.22 (regarding transfers and assignments of Lightyear business), the original applicant must remain as a party to the original Representative Application and Agreement. If the original Representative wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with Section 4.22. If this process is not followed, the business shall be canceled upon the withdrawal of the original Representative. All bonus and commission checks will be sent to the address of record of the original Representative. Please note that the modifications permitted within the scope of this paragraph *do not* include a change of

sponsorship. Changes of sponsorship are addressed in Section 4.5.3, below. There is a \$25.00 fee for each change requested, which must be included with the written request and the completed Representative Application and Agreement. Lightyear may, at its discretion, require notarized documents before implementing any changes to a Lightyear business. Please allow thirty (30) days after the receipt of the request by Lightyear for processing.

3.5.3 - Change of Sponsor - Cancellation and Re-application

The only way a Representative may legitimately change organizations is by voluntarily canceling his or her Lightyear business and remaining inactive (*i.e.*, no purchases of Lightyear products for resale, no sales of Lightyear products, no sponsoring, no attendance at any Lightyear functions, participation in any other form of Representative activity, or operation of any other Lightyear business) for six (6) full calendar months. Following the six month period of inactivity, the former Representative may reapply under a new sponsor.

3.6 - Unauthorized Claims and Actions

3.6.1 - Indemnification

A Representative is fully responsible for all of his or her verbal and written statements made regarding Lightyear products, services, and the Marketing and Compensation Plan which are not expressly contained in official Lightyear materials. Representatives agree to indemnify Lightyear and Lightyear'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 Lightyear as a result of the Representative's unauthorized representations or actions. This provision shall survive the termination of the Representative Agreement.

3.6.2 - Product Claims

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

3.6.3 - Income Claims Prohibited

In their enthusiasm to enroll prospective Representatives, some Representatives are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new Representatives may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At Lightyear, we firmly believe that the Lightyear 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 Representatives 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 Lightyear as well as the Representative making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because Lightyear Representatives do not have the data necessary to comply with the legal requirements for making income claims, a Representative, when presenting or discussing the Lightyear business opportunity or Marketing

and Compensation Plan to a prospective Representative, may not make income projections, income claims, or disclose his or her Lightyear income (including the showing of checks, copies of checks, bank statements, or tax records).

3.7 - Trade Shows, Expositions and Other Sales Forums

Representatives may display and/or sell Lightyear services at trade shows and professional expositions. Before submitting a deposit to the event promoter, Representatives must contact the Representative Services department in writing for conditional approval, as Lightyear's policy is to authorize only one Lightyear business per event. Final approval will be granted to the first Representative who submits an official advertisement of the event, a copy of the contract signed by both the Representative 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. Lightyear 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 Lightyear business opportunity. 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 Lightyear wishes to portray.

3.8 - Conflicts of Interest

3.8.1 - Non-solicitation

Lightyear Representatives are free to participate in other multilevel or network marketing business ventures or marketing opportunities (collectively "network marketing"). However, during the term of this Agreement, Representatives may not recruit other Lightyear Representatives 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 Representative may not recruit any Lightyear Representative or Customer for another network marketing business if: 1) that Representative or Customer was in the former Representative's downline marketing organization; or 2) the former Representative met, developed a relationship with, or gained knowledge of the Representative or Customer by virtue of their mutual participation in Lightyear. 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 Lightyear Representative or customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Representative's actions are in response to an inquiry made by another Representative or Customer.

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

Representatives may not display Lightyear products or services with any other products or services in a fashion that might in any way confuse or mislead a prospective customer or Representative into believing there is a relationship between the Lightyear and non-Lightyear products or services. Representatives may not offer the Lightyear business opportunity, products

or services to prospective or existing Customers or Representatives in conjunction with any non-Lightyear program, opportunity, product or service. Representatives may not offer any non-Lightyear business opportunity, products or services at any Lightyear-related meeting, seminar or convention, or immediately following such event.

3.8.2 - Downline Reports

Downline Reports are available for Representative access and viewing at Lightyear's official web site. Representative 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 Lightyear.** Downline Reports are provided to Representatives in strictest confidence and are made available to Representatives for the sole purpose of assisting Representatives in working with their respective Downline Organizations in the development of their Lightyear business. Representatives should use their Downline Reports to assist, motivate, and train their downline Representatives. The Representative and Lightyear agree that, but for this agreement of confidentiality and nondisclosure, Lightyear would not provide Downline Reports to the Representative. A Representative 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 Lightyear or for any purpose other than promoting his or her Lightyear business;
- 3.8.2.4** - Recruit or solicit any Representative or Customer of Lightyear listed on any report, or in any manner attempt to influence or induce any Representative or Customer of Lightyear, to alter their business relationship with Lightyear; 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 Representative 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 Representative Agreement on file with Lightyear, 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. Representatives shall not demean, discredit or defame other Lightyear Representatives in an attempt to entice another Representative to become part of the first Representative's marketing organization. This policy shall not prohibit the transfer of a Lightyear business in accordance with Section 4.22.

3.10 - Errors or Questions

If a Representative has questions about or believes any errors have been made regarding commissions, bonuses, Downline Reports, or charges, the Representative must notify Lightyear's Legal Department in writing within sixty (60) days of the date of the purported error or incident in question. Lightyear 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, Representatives shall not represent or imply that Lightyear or its Marketing and Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

3.12 - Holding Applications or Orders

Representatives must not manipulate enrollments of new applicants and purchases of products. All Representative Applications and Agreements, and product orders must be sent to Lightyear within 72 hours from the time they are signed by a Representative or placed by a customer, respectively.

3.13 - Identification

All Representatives are required to provide their Social Security Number or a Federal Employer Identification Number to Lightyear on the Representative Application and Agreement. Upon enrollment, the Company will provide a unique Representative Identification Number to the Representative 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 Representative is responsible for paying local, state, and federal taxes on any income generated as an Independent Representative. If a Lightyear business is tax exempt, the Federal tax identification number must be provided to Lightyear. Every year, Lightyear will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who had earnings of over \$600 in the previous calendar year.

3.15 - Independent Contractor Status

Representatives are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between Lightyear and its Representatives does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Representative. Representatives shall not be treated as an employee for his or her services or for Federal or State tax purposes. All Representatives are responsible for paying local, state, and federal taxes due from all compensation earned as a Representative of the Company. The Representative has no authority (expressed or implied), to bind the Company to any obligation. Each Representative shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Representative Agreement, these Policies and Procedures, and applicable laws.

The name of Lightyear and other names as may be adopted by Lightyear are proprietary trade

names, trademarks and service marks of Lightyear. As such, these marks are of great value to Lightyear and are supplied to Representatives for their use only in an expressly authorized manner. Use of Lightyear name on any item not produced by the Company is prohibited except as follows:

Representative's Name
Independent Lightyear Alliance Representative

All Representatives may list themselves as an “Independent Lightyear Alliance Representative” in the white or yellow pages of the telephone directory under their own name. No Representative may place telephone directory display ads using Lightyear's name or logo. Representatives may not answer the telephone by saying “Lightyear”, “Lightyear Communications” or “Lightyear Incorporated”, or in any other manner that would lead the caller to believe that he or she has reached corporate offices of Lightyear.

3.16 - Insurance

You may wish to arrange insurance coverage for your business as Lightyear does not provide insurance property or liability coverage for Representatives. 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 home owner’s policy.

3.17 - International Marketing

Because of critical legal and tax considerations, Lightyear must limit the resale of Lightyear products and services, and the presentation of the Lightyear business to prospective customers and Representatives located within the United States and U.S. Territories and those countries that Lightyear 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 Representatives because of the nature of their business. However, Representatives must obey those laws that do apply to them. If a city or county official tells a Representative that an ordinance applies to him or her, the Representative shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of Lightyear. In most cases there are exceptions to the ordinance that may apply to Lightyear Representatives.

3.18.2 - Compliance With Federal, State, Local Laws

Representatives 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 Lightyear Representative. Representatives shall not enroll or recruit minors into the Lightyear program.

3.20 - One Lightyear Business Per Representative and Per Household

A Representative may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one Lightyear business. No individual may have, operate or receive compensation from more than one Lightyear business. Individuals of the same family unit may not enter into or have an interest in more than one Lightyear Business. A “family unit” is defined as spouses and dependent children living at or doing business at the same address.

In order to maintain the integrity of the Lightyear Marketing and Compensation Plan, husbands and wives or common-law couples (collectively “spouses”) who wish to become Lightyear Representatives must be jointly sponsored as one Lightyear business. Spouses, regardless of whether one or both are signatories to the Representative Application and Agreement, may not own or operate any other Lightyear business, either individually or jointly, nor may they participate directly or indirectly (as a shareholder, partner, trustee, trust beneficiary, or any other legal or equitable ownership) in the ownership or management of another Lightyear business in any form.

An exception to the one business per Representative rule will be considered on a case by case basis if two Representatives marry or in cases of a Representative 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 - Actions of Household Members or Affiliated Individuals

If any member of a Representative’s immediate household engages in any activity which, if performed by the Representative, would violate any provision of the Agreement, such activity will be deemed a violation by the Representative and Lightyear may take disciplinary action pursuant to the Statement of Policies against the Representative. 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 Lightyear may take disciplinary action against the entity.

3.21 - Requests for Records

Any request from a Representative 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 Lightyear Business

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

3.22.1 - Protection of the existing line of sponsorship must always be maintained so that the Lightyear business continues to be operated in that line of sponsorship.

3.22.2 - The buyer or transferee must be (or must become) a qualified Lightyear Representative. If the buyer is an active Lightyear Representative, he or she must first terminate his or her Lightyear business simultaneously with the

purchase, transfer, assignment or acquisition of any interest in the new Lightyear business.

3.22.3 - Before the sale, transfer or assignment can be finalized and approved by Lightyear, any debt obligations the selling Representative has with Lightyear must be satisfied.

3.22.4 - The selling Representative 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 Lightyear business.

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

3.23 - Separation of a Lightyear Business

Lightyear Representatives sometimes operate their Lightyear 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 Representatives and the Company, Lightyear will involuntarily terminate the Representative 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 Lightyear business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize Lightyear 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 Lightyear business jointly on a "business-as-usual" basis, whereupon all compensation paid by Lightyear will be paid according to the status quo as it existed prior to Lightyear'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 Lightyear split commission and bonus checks between divorcing spouses or members of dissolving entities. Lightyear will recognize only one Downline Organization and will issue only one commission check per Lightyear 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 Representative Agreement shall be involuntarily canceled.

If a former spouse has completely relinquished all rights in their original Lightyear 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 Representatives 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 Representative. In the case of business entities, the former business associates who do not receive the Lightyear 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 Representatives or paying for new telephone customers for the purpose of maximizing compensation pursuant to Lightyear’s Marketing and Compensation Plan; (b) violating the one business per household rule; and/or (c) enrolling fictitious individuals or entities into the Lightyear compensation Plan.

3.25 - Succession

Upon the death or incapacitation of a Representative, 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 Representative should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever a Lightyear business is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses and commissions of the deceased Representative’s marketing organization provided the following qualifications are met. The successor(s) must:

- 3.25.1** - Execute a Representative Agreement;
- 3.25.2** - Comply with terms and provisions of the Agreement; and
- 3.25.3** - Meet all of the qualifications for the deceased Representative’s status.
- 3.25.4** - Bonus and commission checks of a Lightyear business transferred pursuant to this section will be paid in a single check jointly to the devisees. The devisees must provide Lightyear 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. Lightyear will issue all bonus and commission checks and one 1099 to the business entity.

3.26 - Transfer Upon Death of a Representative

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

3.27 - Transfer Upon Incapacitation of a Representative

To effect a transfer of a Lightyear business because of incapacity, the successor must provide the following to Lightyear: (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 Lightyear business; and (3) a completed Representative Agreement executed by the trustee.

3.28 - Telephone Solicitation and Cold Calling

Representatives agree that they shall not engage in telemarketing or cold calling in their Lightyear businesses. The term “telemarketing” means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Lightyear product or service, or to recruit them for the Lightyear business opportunity. For purposes of these Policies and Procedures, "cold calls" made to prospective customers or Representatives that promote either Lightyear's products or services or the Lightyear business opportunity constitute telemarketing. However, a telephone call(s) placed to a prospective customer or Representative (a "prospect") with whom a Representative has an established business relationship is not considered telemarketing and is permitted. An “established business relationship” is a relationship between a Representative 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 Representative 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 Representative, within the three (3) months immediately preceding the date of such a call.

In addition, Representatives shall not use automatic telephone dialing systems relative to the operation of their Lightyear 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.

3.29 - Use of the Lightyear Voice-Mail System

Lightyear maintains a voice-mail system for use by Representatives. This system is a tool to communicate with your downline, to promote the sale of Lightyear products and services and the Lightyear business opportunity. Under no circumstances shall a Representative use the Lightyear voice-mail system to promote the sale of any non-Lightyear products or services or any non-Lightyear program or opportunity.

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 Lightyear’s files are current. Representatives Planning to move should send their new address and telephone numbers to Lightyear’s Corporate Offices to the attention of the Representative Services Department. To guarantee proper delivery, two weeks advance notice must be provided to Lightyear on all changes.

4.2 - Continuing Development Obligations

4.2.1 - Ongoing Training

Any Representative who sponsors another Representative into Lightyear must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her Lightyear business. Representatives must have ongoing contact and communication with the Representatives 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 Representatives to Lightyear meetings, training sessions, and other functions. Upline Representatives are also responsible to motivate and train new Representatives in Lightyear product knowledge, effective sales techniques, the Lightyear Marketing and Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Representatives must not, however, violate Section 4.2 (regarding the development of Representative-produced sales aids and promotional materials).

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

4.2.2 - Increased Training Responsibilities

As Representatives progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the Lightyear program. They will be called upon to share this knowledge with lesser experienced Representatives within their organization.

4.2.3 - Ongoing Sales Responsibilities

Regardless of their level of achievement, Representatives 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

Lightyear wants to provide its independent Representatives with the best products, compensation 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 Lightyear's Manager of the Network Marketing Business Development. E-mails may be addressed to lightyearalliance@lightyearcom.com. Remember, to best serve you, we must hear from you! While Lightyear welcomes constructive input, negative comments and remarks made in the field by Representatives about the Company, its products, or compensation Plan serve no purpose other than to sour the enthusiasm of other Lightyear Representatives. For this reason, and to set the proper example for their downline, Representatives must not disparage, demean, or make negative remarks about Lightyear, other Lightyear Representatives, Lightyear's products, the Marketing and Compensation Plan, or Lightyear's directors, officers, or employees.

4.4 - Providing Documentation to Applicants

Representatives must provide the most current version of the Policies and Procedures and the Compensation Plan to individuals whom they are sponsoring to become Representatives before the applicant signs a Representative Agreement. Additional copies of Policies and Procedures can be acquired from Lightyear, and the most current Policies and Procedures are available on Lightyear's website.

4.5 - Reporting Policy Violations

Representatives observing a Policy violation by another Representative should submit a written report of the violation directly to the attention of Lightyear'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 Lightyear Marketing and Compensation Plan is based upon the sale of Lightyear products and services to end consumers. Representatives 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 Representatives to be eligible for commissions:

5.1.1 - Representatives must satisfy the Customer Point requirements to fulfill the requirements associated with their rank as specified in the Lightyear Marketing and Compensation Plan. "Personal Customer Points" include sales to the Representative's personal retail customers and his/her personal purchases.

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

5.1.3 - Representatives must develop or service at least five retail Customers every month.

5.2 - Product and Service Coverage Areas

Some of Lightyear's products and services are not available in certain parts of the United States and U.S. territories, although Lightyear is aggressively expanding its coverage areas. Check Lightyear'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 Representatives must provide their retail customers with two copies of an official Lightyear order form at the time of the sale. These receipts set forth the consumer protection rights afforded by federal or state law. Representatives must maintain order forms for a period of two years and furnish them to Lightyear at the Company's request.

If a Representative enrolls a customer through his or her replicated website, the Representative must print two copies of the order form and provide it to the customer.

SECTION 6 - BONUSSES AND COMMISSIONS

6.1 - Bonus and Commission Qualifications

A Representative must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Representative complies with the terms of the Agreement, Lightyear shall pay commissions to such Representative in accordance with the Marketing and Compensation Plan. The minimum amount for which Lightyear will issue a check is \$20.00. If a Representative's bonuses and commissions do not equal or exceed \$20.00 the Company will accrue the commissions and bonuses until they total \$20.00. 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 Lightyear's services for at least four consecutive calendar months. If a Customer terminates or switches his or her service prior to the completion of four consecutive calendar months of service, the customer acquisition bonus paid to the Representative who sold the service to the customer will be deducted from subsequent commissions.

6.2.2 - Bad Debt

If a Representative maintains a Customer account(s) that is in past due status for 90 days or more, Lightyear may charge against the amounts payable to the Representative 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 Representative will not be entitled to any recovery. Lightyear may provide a different bad debt policy than that which is set forth above for certain products and services.

6.2.3 - Slamming Penalties

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

6.2.4 - Data Processing Fee

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

6.2.5 – Other Deductions

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

Representatives 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, Lightyear will attempt to notify a Representative 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 Representative can request that the check be reissued. There shall be a \$15.00 charge for reissuing a check, and a \$10.00 fee for each notice that is sent to the Representative. These charges shall be deducted from the balance owed to the Representative.

Customers or Representatives who have a credit on account must use their credit within six months from the date on which the credit was issued. If credits have not been used within six months, Lightyear shall attempt to notify the Representative or Customer on a monthly basis, by sending written notice to the last known address, advising the Representative or Customer of the credit. There shall be a \$10.00 charge for each attempted notification. This charge shall be deducted from the Representative's or Customer's credit on account.

6.4 - Compression

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

6.5 - Reports

All information provided by Lightyear 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 Lightyear 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, LIGHTYEAR 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 LIGHTYEAR 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, LIGHTYEAR 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 Lightyear' 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 Lightyear' online and telephone reporting services and your reliance upon the information.

SECTION 7 - SALES AID RETURNS

7.1 - Return of Sales Aids by Representatives

Upon cancellation of a Representative's Agreement, the Representative may return sales aids that he or she purchased from the Company for a refund. A Representative may only return products and sales aids purchased by him or her that are in resalable condition which were purchased within one year from the date of termination. Upon receipt of the products and sales aids, the Representative will be reimbursed 90% of the net cost of the original purchase price(s), less shipping charges. If the purchases were made through a credit card, the refund will be credited back to the same account.

7.2 - Montana Residents

A Montana resident may cancel his or her Representative 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 8 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

8.1 - Disciplinary Sanctions

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

8.1.1 - Issuance of a written warning or admonition;

8.1.2 - Requiring the Representative to take immediate corrective measures;

- 8.1.3 - Imposition of a fine, which may be withheld from bonus and commission checks;
- 8.1.4 - Loss of rights to one or more bonus and commission checks;
- 8.1.5 - Lightyear may withhold from a Representative all or part of the Representative's bonuses and commissions during the period that Lightyear is investigating any conduct allegedly violative of the Agreement. If a Representative's business is canceled for disciplinary reasons, the Representative will not be entitled to recover any commissions withheld during the investigation period;
- 8.1.6 - Suspension of the individual's Representative Agreement for one or more pay periods;
- 8.1.7 - Involuntary termination of the offender's Representative Agreement;
- 8.1.8 - Any other measure expressly allowed within any provision of the Agreement or which Lightyear deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Representative's policy violation or contractual breach;
- 8.1.9 - In situations deemed appropriate by Lightyear, the Company may institute legal proceedings for monetary and/or equitable relief.

8.2 - Grievances and Complaints

When a Representative has a grievance or complaint with another Representative regarding any practice or conduct in relationship to their respective Lightyear businesses, the complaining Representative 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 9 - PAYMENT AND SHIPPING

9.1 - Insufficient Funds

It is the responsibility of each Representative to ensure that there are sufficient funds or credit available in his or her account to cover the monthly charges. Lightyear will not contact Representatives in regard to orders canceled due to insufficient funds or credit. This may result in a Representative's failure to meet his or her Personal Sales Volume requirements for the month.

9.2 - Returned Checks

All checks returned by a Representative'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 Representative. After receiving a returned check from a customer or a Representative, ***all future orders must be paid by Credit Card, money order or cashier's check. Any outstanding balance owed to Lightyear by a Representative for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.***

9.3 - Restrictions on Third Party Use of Credit Cards and Checking Account Access

Representatives shall not permit other Representatives 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.

SECTION 10 - INACTIVITY AND CANCELLATION

10.1 - Effect of Cancellation

So long as a Representative remains active and complies with the terms of the Representative Agreement and these Policies and Procedures, Lightyear shall pay commissions to such Representative in accordance with the Marketing and Compensation Plan. A Representative's bonuses and commissions constitute the entire consideration for the Representative's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following a Representative's non-renewal of his or her Representative Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Representative Agreement (all of these methods are collectively referred to as "cancellation"), the former Representative 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 Representative whose business is cancelled will permanently lose all rights as a Representative. This includes the right to sell Lightyear products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Representative's former downline sales organization. In the event of cancellation, Representatives 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 Representative's cancellation of his or her Representative Agreement, the former Representative shall not hold himself or herself out as a Lightyear Representative and shall not have the right to sell Lightyear products or services. A Representative whose Representative Agreement is canceled 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).

10.2 - Involuntary Cancellation

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

10.3 - 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 Representative's signature, printed name, address, and Representative I.D. Number.

10.4 - Non-renewal

A Representative may also voluntarily cancel his or her Representative Agreement by failing to

renew the Agreement on its anniversary date. The Company may also elect not to renew a Representative's Agreement upon its anniversary date.

SECTION 11 - DEFINITIONS

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

Agreement - The contract between the Company and each Representative includes the Representative Application and Agreement, the Lightyear Policies and Procedures, the Lightyear Marketing and Compensation Plan, and the Business Entity Form (where appropriate), all in their current form and as amended by Lightyear in its sole discretion. These documents are collectively referred to as the “Agreement.”

Cancel — The termination of a Representative’s business. Cancellation may be either voluntary, involuntary, or through non-renewal.

Commissionable Products/Services — All Lightyear products and services on which commissions and bonuses are paid. Sales Kits and sales aids are not commissionable products.

Company — The term “Company” as it is used throughout the Agreement means Lightyear Communications, Inc.

Compression — The process by which customer points are allocated to upline qualifying Representatives when the Representative who sponsored the customers does not qualify for a commission or has cancelled.

Downline Report — A monthly report generated by Lightyear that provides critical data relating to the identities of Representatives, sales information, and enrollment activity of each Representative’s Marketing Organization. This report contains confidential and trade secret information which is proprietary to Lightyear.

Downline Leg — Each one of the individuals enrolled immediately underneath you and their respective marketing organizations represents one “leg” in your marketing organization.

End Consumer — A person who purchases Lightyear products for the purpose of personally consuming them rather than for resale to someone else.

Immediate Household — Heads of household and dependent family members residing in the same house.

Lightyear Literature --- All material published by Lightyear and Lightyear Alliance including, but not limited to, the Lightyear Alliance website.

Marketing Organization — The Representatives sponsored below a particular Representative, extending down eight levels.

Official Lightyear Material — Literature, audio or video tapes, and other materials developed, printed, published and distributed by Lightyear to Representatives.

Rank — The “title” that a Representative has achieved pursuant to the Lightyear Marketing and Compensation Plan.

Recruit — For purposes of Lightyear’s Conflict of Interest Policy (Section 4.8), 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 Lightyear Representative, to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. This conduct constitutes recruiting even if the Representative’s actions are in response to an inquiry made by another Representative or Customer.

Resalable — Products and sales aids shall be deemed "resalable" if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) the product and packaging are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; 4) products are returned to Lightyear within one year from the date of purchase; 5) the product expiration date has not elapsed; and 6) the product contains current Lightyear labeling. Any merchandise that is clearly identified at the time of sale as non-returnable, discontinued, or as a seasonal item, shall not be resalable.

Retail Customer or Customer — An individual who purchases Lightyear products from a Representative.

Sponsor — A Representative who enrolls another Representative into the Company, and is listed as the Sponsor on the Representative Application and Agreement.

Sales Kit — A selection of Lightyear training materials and business support literature that each new Independent Marketing Representative may purchase. The Sales Kit is sold to Representatives at the Company’s cost.

Upline — The Representative or Representatives above a particular Representative in a sponsorship line up eight levels.