

Close To My Heart Consultant Manual Policies – United States

Advertising, Selling, and Business Activities

Advertising, Social Media, and Blogs

All advertisements and social media business presences must clearly communicate that you are an Independent Consultant and not an employee of Close To My Heart. Make sure your name and contact information is available at first contact. Advertisements do not need to be approved by the Home Office.

Consultants may have business-related blogs and/or business-related social networking sites. Usernames and group names (e.g., social networking usernames, email addresses, or website addresses, Facebook profiles and groups, event invitations, YouTube channels, Twitter usernames, etc.) using “CTMH” or “Close To My Heart” must be preceded by the Consultant’s first and last name (e.g., SallyStamperCTMH or Sally Stamper’s Close To My Heart Home Gathering). The standalone use of the names “Close To My Heart” or “CTMH” in any of the above media is prohibited, including alternative spellings or substantively similar variations that may cause confusion in the market. In addition, current Close To My Heart trademarks cannot be used in the names or URLs of websites, blogs, social networking pages, or email addresses.

When using the names “CTMH” or “Close To My Heart” in the name of a social media group, such as a Facebook group, for Consultants outside of your personal Downline or personal customers, you must request approval from Home Office for the creation of the group. You must also include Home Office as an administrator for the group along with any other Consultant administrators. No Consultant or customer can be deleted from or denied access to a social media group of this kind without written consent from Home Office, and the group must not be designated as a secret group.

If a Consultant’s social media group (i.e., one for which the Consultant is an administrator or the equivalent), discussion group, website, or blog becomes a forum for conduct that harms Close To My Heart’s goodwill and reputation or undermines its mission, policies, marketing efforts, or relationships with customers or Consultants, then Home Office in its exclusive discretion may require changes to the group, website, or blog. The changes that are within the discretion of Home Office to require include shutting down the group, website, or blog and making Home Office an administrator.

Consultants may link to the Close To My Heart idea book, Consultant e-commerce website websites, and other blogs and websites. Consultants are also permitted to have third-party products and advertisements featured on their blogs, provided the products featured or the companies advertised are not products or companies that are prohibited under the Competitive Selling clause of the Terms & Conditions (paragraph 5.a.). Consultants may also include a link to their blogs and social network sites in the About Me section of their Consultant e-commerce website.

Close To My Heart Home Office social media accounts are not the appropriate place to promote your personal business (or other products or services) or to try to gain new customers. If you see a question from someone who is looking for a Consultant, either direct them to the Consultant Locator on our website or let a representative from the Home Office answer.

Selling, Marketing, or Promoting Non-Close To My Heart Products

Consultants are not permitted to sell or market any non-Close To My Heart stamps, designed paper products, or memory-keeping or similar products or services, or the products or services of direct selling competitors named in paragraph 5.a of the Consultant Agreement Terms & Conditions (the Competitive Selling clause).

Consultants are not to sell, promote, or advertise for any other direct sales products or opportunities at any event organized around Close To My Heart, including Conventions, other corporate events, Team meetings, events organized by fellow Close To My Heart Consultants, Gatherings, workshops, or other events where Close To My Heart products are sold or demonstrated. Consultants are also not to use communication vehicles that are primarily for communicating with their

Close To My Heart Teams or customer bases, such as Team newsletters, Team Facebook pages, blogs, or Close To My Heart business pages or groups, to promote, sell, or advertise for other direct sales products or opportunities.

The words “sell,” “market,” and “promote” in this policy and in the Competitive Selling clause are to be broadly construed and include within their scope, without limitation:

- Showing the products of named direct selling competitors in artwork or projects;
- Earning money in any way off of non-CTMH products that compete with CTMH products, as defined in the Competitive Selling clause;
- Using non-CTMH products covered by the Competitive Selling clause in a workshop; and
- Participating in a multi-level marketing program even if only as a preferred customer or the like if one has a contractual right to sell competitive products or earn commissions from downline participants in a competitive multi-level marketing program even if no actual selling or downline building is engaged in.

The activities listed above are not permitted. It is not against this policy or the Competitive Selling clause to show artwork or projects that contain non-CTMH products provided that no products of named direct selling competitors are used and the Consultant (or the Consultant’s spouse or partner) is not in a position to receive compensation from sales of those items.

Image Use

We encourage you to make use of the photo images located in Image Gallery, Consultant e-commerce websites, Online Office, and in the Close To My Heart idea books in any way you choose for promoting your Close To My Heart business. In addition, we invite you to make use of the images we share on our Make It from Your Heart blog and on the Close To My Heart social media channels. As long as the photos feature Close To My Heart product or artwork, you may use them in any format. Feel free to crop, enlarge, or reduce these images as needed; add copy, taglines, and headlines to them. Use them as a flexible marketing resource to promote your business online and in print. The notable exceptions are images we use to promote event locations or incentive trips, as these images do not belong to Close To My Heart.

Close To My Heart Events

No live streaming or recordings can be made of any class, creative session, or general session of a Close To My Heart event except for 15 second teasers that are used to generate excitement, but not for the announcement of new programs or products.

Personal Promotions

Consultants are allowed to create and publicly advertise their own personal promotions, such as offering free product as a reward for a customer’s specific purchase behavior. Personal promotions may also include holding drawings, offering blog candy, and offering incentives for becoming customers of the Consultant or for joining the Consultant’s Team.

When leveraging the half-priced Hostess Rewards item as part of a promotion, it must be clear that the half-priced item is part of the Hostess Rewards program. It should not be advertised as a stand-alone half-priced promotion. Consultants are prohibited from offering any incentives to other Consultants for recruiting new Consultants.

Sales Methods

The chart below details what products can be sold and where:

What is Sold/ Where Sold	Personal Social Network or Blog Business Page, Email or Closed Social Network Group	Etsy, Amazon, Ebay, other auction or e-commerce website, or fixed retail location	Gatherings, Craft Fairs, Crops, and Other Fixed Venues of 6 days or fewer
Completed artwork	Yes	Yes	Yes
Full product (stand-alone)	Yes	No	Yes
Free product tied to personal promotions, giveaways, and drawings	Yes	No	Yes
Project kits including cutting guides and instruction (can't include any components of a Cricut® collection)	Yes	No	Yes
Retired retail products (priced at Consultant discretion)	Yes	Six months after product retires	Yes
Retired specials (Stamp of the Month, monthly specials, hostess stamp sets)	Six months after special ends	Six months after special ends	Yes
Personally designed templates/patterns (stand-alone)	Yes	No	Yes

Sales of **current** Close To My Heart products by Consultants through retail e-commerce sites are not allowed. A current product or stamp design is one featured in the current Close To My Heart idea book or sold or distributed by Close To My Heart within the past six months. This includes current idea books, Stamp of the Month sets, hostess gifts, monthly specials, business promotions, and new Consultant kits. Dedicated retail e-commerce websites include eBay (including the buy it now section), Amazon.com, Trademe, and online classified advertisement sites such as Gumtree. Consultants can sell current products through their own personal blogs, personal websites, and personal social media accounts.

Consultants may sell **retired** products anywhere, but must wait six months after the item has been retired before selling through retail e-commerce sites and internet auction sites. Consultants must wait six months before offering retired specials like Stamp of the Month sets, hostess stamp sets, and Constant Campaign items on their personal website, blog, or in retail e-commerce site. When selling retired specials in face-to-face situations, such as at a Gathering or a crop, there is no waiting period.

Consultants are permitted to advertise in dedicated retail e-commerce websites, but they may not recruit new Consultants through retail e-commerce sites.

Sale of Completed Artwork and Custom Kits

Consultants may create custom kits and/or completed artwork and set the prices for them. Consultants may choose whether to include a complete package of a product in a kit, or to divide a single package of product among multiple kits. Templates and cutting guides that Consultants have created may be sold in these kits (templates/cutting guides can be sold separately and may only be sold internationally when sold alone). Custom kits cannot include Cricut® cartridges themselves (or any components of Cricut® collections) but can include paper pieces cut using the designs from the cartridges. Any of the following items included in a kit must be Close To My Heart products: stamps, stamped images, stamp pad inks, designed papers, or cardstocks (with the exception of white cardstock).

Additionally, the individual components of Cricut® collections cannot be separated or sold individually. Items in Cricut® collections can only be sold as part of the complete product collection.

Files used to create cutting templates for use in Cricut® Craft Room™ or similar environments, such as scalable vector graphics (SVG) files, are subject to the same rules as cutting guides or instructions, which are allowed to be sold standalone. However, any such files sold should be independently created and for standalone use. They should not be based on or tightly coordinated with any Close To My Heart copyrighted designs including Close To My Heart's Cricut® Collections or My Acrylix® stamps. For example, an independently designed overlay for 12" x 12" scrapbooking would be acceptable, as long as it is not substantially similar to any designs from our Cricut® collections. Any shape that outlines a distinct My Acrylix® stamp image would be a violation, whether or not that stamp image has a coordinating image on one of our Cricut® cartridges.

Expos and Craft Fairs

Consultants may participate in expos and craft fairs that do not exceed six days in length. The Consultant accepts full responsibility for the stall and agrees to represent Close To My Heart and the Close To My Heart products in a professional manner.

If a Consultant is working with one or more other Consultants at the event, an agreement regarding how orders, profits, contacts, and new Team members will be divided among participants should be worked out and agreed upon in advance of the event taking place. A Consultant may hire Consultants or non-Consultants to help work at the event as long as a Consultant is present at all times.

Retail Settings

Consultants may not sell Close To My Heart product as inventory in a scrapbook store or retail setting. Consultants are allowed to advertise and display Close To My Heart products in stores or retail settings.

Consultants can use workshop space at a scrapbook store or other retail setting to teach workshops, and also take orders or conduct sales at such events, provided that it is clear that Close To My Heart products are purchased through the Independent Consultant, not through the store.

A clear division must exist between Close To My Heart and non-Close To My Heart products and services when displaying or demonstrating at venues that carry, promote, or sell any competing products or services.

Recruiting Downline

Consultants may begin recruiting as soon as their application has been approved. Consultants should not recruit Downline who have no intention of maintaining active status and participating in the Close To My Heart experience—this includes stacking or creating Downline solely for the purpose of title promotions or other compensation. You cannot promote the New Consultant Kit as purely a product purchase.

Close To My Heart Stamps and Designs

Consultants and customers may reproduce the copyrighted Close To My Heart stamp designs or images only by hand-stamping. Any other reproduction of Close To My Heart stamp images is prohibited and is an infringement of the applicable copyrights. For purposes of this policy, "reproduction" includes, without limitation, "scanning" images into electronic format, digitally photographing stamp images, photocopying images, using overhead or opaque projectors for enlarging or hand-copying images or printing the images. Any exceptions to this policy prohibiting reproduction of Close To My Heart stamp designs must be clearly stated in writing in official Close To My Heart literature, on the official Close To My Heart website, or in written agreements signed by Close To My Heart officers.

Angel Policy

All Close To My Heart designs are copyrighted by CTMH Co. and are protected under United States and international copyright law, which means they cannot be copied without Close To My Heart's permission. Close To My Heart's Angel Policy grants limited permission (a license) to purchasers of Close To My Heart stamps to create hand-stamped artwork for sale. Close To My Heart does not limit the types of hand-stamped creations that may be sold under this policy, within

reasonable standards of good taste. The terms and conditions of this “Angel Policy” are outlined below:

1. Close To My Heart designs may only be used in the creation of original, hand-stamped artwork.
2. Any artwork created using Close To My Heart designs must not infringe third-party copyrighted material. The artist must accept full responsibility for his or her artwork.
3. No stamp design may be reproduced or copied by any means, except hand-stamping, including photocopying, computer scanning and printing, or by freehand drawing. Artwork for sale must be personally hand-stamped by the selling artist, and any mass production or use of paid workers is prohibited.
4. The following notice must appear on hand-stamped artwork created for resale: “Designs © CTMH Co.”
5. Completed hand-stamped artwork may be sold at craft fairs, fundraisers, retail locations, and over the Internet. In the sale of hand-stamped artwork, Close To My Heart trademarks and logos may not be used prominently or in any manner which might lead consumers to believe the hand-stamped artwork itself is a Close To My Heart product.
6. Hand-stamped artwork may be sold alone or in conjunction with Close To My Heart products.
7. Sales may be made only in the United States (including U.S. Territories), Canada, or on U.S. military installations Revised June 15, 2017 (as permitted).
8. Close To My Heart designs and images may not be used in non-Close To My Heart business logos, trademarks, or promotional materials.
9. Close To My Heart may amend its policies governing the use of its copyrighted designs and images, including the Angel Policy, at any time. Amendments to such policies are effective upon publication unless otherwise noted and will be posted on the official Close To My Heart website. Close To My Heart reserves the right to deny or terminate permission to use Close To My Heart designs and images with respect to any particular person.

Consultant Activity Status

Sales Requirements

Close To My Heart requires that Consultants sell a minimum of \$300 in commissionable sales each calendar quarter in order to remain an active Consultant. Commissionable sales come from product orders placed by you or your customers in Order Entry or on your Consultant e-commerce website. Shipping costs, taxes, and supply items do not count toward minimum sales requirements. New Consultants do not have to meet these quarterly sales minimums in the quarter in which they sign up; they will be responsible for meeting this sales requirement beginning with the following quarter— their first full quarter as a Consultant.

A Consultant who does not meet minimum sales in a given quarter automatically becomes a Preferred Member. A Preferred Member is required to submit commissionable sales of at least \$100 during every calendar quarter to remain a Preferred Member.

Critical Status

Critical status allows an active Consultant to waive the quarterly minimum sales requirements for one quarter once every two calendar years. Critical status is granted only upon request by the Consultant and approval by Close To My Heart. Requests must be made in writing (email is acceptable) and received before the end of the calendar quarter in which the Consultant has been unable to meet quarterly requirements. If approved, critical status will begin on the first day of the quarter in which the request is received, and will be granted for one quarter only. At the end of the quarter, the Consultant will automatically be returned to active status. Extensions are only given to those Consultants that are deployed for the military (not their spouse) and for extreme medical conditions. Preferred Members are not eligible for critical status.

The only difference between active Consultant status and critical status is the minimum quarterly sales requirement. Consultants on critical status may continue to enjoy all of the benefits of active Consultants, earn commissions (where applicable), and retain their Downline. A Consultant who is on critical status does not change the management status of the Upline.

Preferred Member

An active Consultant who fails to meet the quarterly minimum sales requirement of \$300 in commissionable sales automatically becomes a Preferred Member. Preferred Members enjoy many of the same privileges as Consultants with a few differences:

- Preferred Members receive a 10% discount on commissionable sales.
- Preferred Members cannot have Downline, so they may not enroll new Downline and any Downline a Consultant had will roll up to their Upline upon their becoming a Preferred Member.
- Preferred Members do not appear in the Consultant Locator
- At certain Close To My Heart events, including Convention, Preferred Members will not be eligible for the product discounts that active Consultants enjoy. Registration of certain events may not be open to Preferred Members.

A Preferred Member must submit commissionable sales of at least \$100 during every calendar quarter to remain a Preferred Member. A Preferred Member who does not submit minimum sales as outlined above becomes a former Consultant and exits the company.

A Preferred Member who wishes to enjoy the benefits of active Consultant status must submit \$300 or more in commissionable sales in one calendar quarter at the 10% Preferred Member discount, at which time they will be automatically reinstated to Consultant status.

A new Consultant may not sign up to be a Preferred Member.

Preferred Members in Your Downline

Upline Consultants earn the same bonus override commissions on Preferred Members as they do on active Consultants in their Downline. A Preferred Member's sales also count toward Team sales. In relation to title requirements, 3 Preferred Members in your Downline count as 1 Consultant. For example, since Directors must have 20 active Consultants in their first Downline, you can qualify for this title if you have 19 Consultants and 3 Preferred Members, since the 3 Preferred Members together count as 1 Consultant.

Consultant Locator

There are some basic requirements that must be met and maintained in order for a Consultant to be included in the results pool for the Consultant Locator. In order to be automatically included in the search results, a Consultant must be an active Consultant and must submit at least \$300 in personal sales in a month. Consultants who do not submit \$300 in personal sales in a month may manually add themselves to the results pool by opting in via the Personal Business Assistant in Online Office. Preferred Members do not appear in the Consultant Locator and cannot manually add themselves into the Consultant Locator results pool.

Consultants who want to be permanently excluded from all Consultant Locator results may do so by selecting "Never list my information" in the Personal Business Assistant, in which case they will not show up in either "Search by Address" or "Search by Consultant Name" results.

Ordering and Commissions

Pricing

All prices published in the idea book, on the official Close To My Heart website, and in all other Close To My Heart publications are the recommended retail prices.

Commission Cut-off Dates and Times

The last day of the month is the final cut-off time for the monthly commission. Orders will be accepted up to 11:59 pm MT on the final day of the month with valid payment.

If a faxed or mailed order is on "hold" on the last business day of the month, the Consultant Services Department will

attempt to contact the Consultant who submitted the order to make arrangements for immediate payment if the Consultant wishes to have the order included in the current month's sales totals. Immediate payment requires that the Consultant provide a credit card number.

Consultant Services will attempt to contact the Consultant within two days before the order is held and considered an order for the following month. If a mailed or faxed order is on "hold" on the last business day of the month and Consultant Services is unable to contact the Consultant by the second business day of the following month, the order will be included in the following month's sales totals.

Sign Up for Direct Deposit

In order to receive commissions, you must sign up for direct deposit. Commissions are processed on or about the fifteenth day of each month for override commissions (personal and Downline) earned during the previous month, as well as for any adjustments made on orders. Commissions over \$5 will be automatically deposited into your account.

Resolving Commission Disputes

Contact Close To My Heart promptly if you find errors or have questions about commissions, reports, adjustments, orders, or fees. Close To My Heart will not be responsible for errors or omissions not reported within 30 days after the Sales Commission Report has been posted. These reports are available online. If you want them mailed to you, there is a fee of \$15 per report. Any additional research will require an additional fee of \$25 per hour plus the cost of copies.

Proper Completion of Forms

All product orders, applications, and related information must be submitted on original, authorized Close To My Heart forms, including online forms. Close To My Heart requires 2 business days from the date of receipt to process orders received via mail or fax. Close To My Heart will not be responsible for delays in orders, registrations, or any loss of commissions or products due to:

- Errors by customers or Consultants in preparing or sending agreements, orders, or other documents;
- Delays or errors caused by the mail, fax transmission, email transmission, or non-receipt of documents;
- Delays or data loss resulting from potential disruption in Internet communications; or
- Inability of customers or Consultants to reach Close To My Heart by telephone, fax, or email where the inability is not the fault of Close To My Heart.

Requests to Change or Cancel Orders

An order can be cancelled as long as the order has not been processed and shipped. In a Right to Cancel situation, please contact Consultant Services as soon as possible. A Consultant Services representative will be happy to explain your options and assist where possible. Please note that a \$5.00 fee is charged for all orders cancelled after they have been submitted to Close To My Heart. A refund will be made to the payment method used on the order. In the event that a customer exercises the Right to Cancel policy and product has already shipped, the Consultant may keep the product for personal or business use or follow the exchanges procedure. Consultants are responsible for any and all fees accrued and for refunding complete payment to the customer.

If a Consultant accidentally submits a duplicate order, a fee of \$5.00 will be subtracted from the amount credited back to the Consultant. If the order has already shipped, please contact Consultant Services and a representative will explain your options to you.

Notice of Right to Cancel

Federal Trade Commission rules require that customers be given three business days in which to cancel a sale under certain circumstances. The rule, found at Code of Federal Regulations Chapter 16 Part 429 (16 CFR 429), applies to Consultants' sales which meet the following criteria:

- The sale of products to one customer at a time worth \$25.00 or more (including shipping and handling, but excluding tax)
- Solicited in person, except for craft fair or expo sales

For sales meeting the above criteria, you must provide your customers with two copies of a Notice of Right to Cancel form. The Customer Order Form includes the Notice of Right to Cancel on the reverse, and the bottom two copies of the order forms are the customer copies. (Online, the notice appears on the second page of this form.) The FTC rule also requires the Consultant to verbally inform the customer of the right to cancel the sale within three business days. This can be mentioned as you give customers their two copies of the Customer Order Form.

If a customer exercises the right to cancel the sale by signing the Notice of Right to Cancel form and mailing it or delivering it to the Consultant from whom the product was ordered within three business days of the sale, the

Consultant must refund the customer's money within ten business days. Notify the Close To My Heart office immediately upon receiving a timely notice of cancellation so as to avoid shipment of the order, if possible.

If the canceled order has shipped, the Consultant may keep the product for personal or business use or exchange the product using the exchanges policies and procedures. The Consultant is responsible for all fees incurred and cannot pass those fees on to the customer. When an order is canceled, it will not count toward a Consultant's sales totals and will affect commissions, bonuses, contest points, promotions associated with sales, etc.

Payment for Orders

All orders must be prepaid before the order is processed.

In order to meet the strict guidelines set by credit card companies, amounts charged to customer credit cards through Order Entry must exactly match the amount charged for items ordered through Order Entry. Any additional fees should be paid directly to the Consultant and not run through Close To My Heart Order Entry processing.

For example, a customer paying for products and a workshop fee must pay the workshop fee separately so that the amount charged to the credit card matches the amount owed for the products. While Consultants may use their own credit cards to pay for customers' orders, customer credit cards may not be used to pay for Consultant orders.

Tax Information

Sales Tax

Sales tax must be collected for every Close To My Heart purchase. As a courtesy to our Consultants and to aid in sales tax compliance, Close To My Heart collects and remits sales tax on behalf of Consultants for each state that has a sales tax. Consultants must collect sales tax from their customers and forward those sums with payment for an order. Close To My Heart in turn remits the sales taxes to the appropriate state and local authorities. In the Terms & Conditions, Consultants authorize Close To My Heart to collect and remit sales taxes on their behalf. Sales tax is based on the retail sale price and is generally calculated using the local sales tax rate of the ship-to address. If you are ordering online, the online ordering system will figure this for you. If you are placing orders through mail or fax check online to verify sales tax in Online Office under Business Management > Personal Business Assistant > Tax Lookup.

State Sales Tax Requirements

The following information is the most current available to Close To My Heart concerning sales tax on Close To My Heart products. Each Consultant, however, must check with local and state tax authorities to verify the latest sales and use tax information for their area.

States not requiring any sales tax: Delaware, Montana, New Hampshire, and Oregon.

States requiring sales tax on sales price only: Idaho, Iowa, Massachusetts, Oklahoma, Utah, and Wyoming.

States requiring sales tax on sales price plus shipping and handling fees: Alabama, Alaska¹, Arizona, Arkansas, California,

Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii², Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York³, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas,

Vermont, Virginia, Washington, West Virginia, and Wisconsin.

1 Alaska has no state sales tax; however, if a city/borough charges sales tax, then shipping and handling fees are taxable.

2 Hawaii has a general excise tax that is collected on product sales as well as on shipping and handling charges.

3 Exempt from 4.25% state tax on clothing.

Sales Tax on Hostess Rewards

Sales tax is assessed on the retail value of free Hostess Rewards items in the following states only: Arizona, Arkansas, California, Georgia, Idaho, Illinois, Minnesota, New York, North Carolina, Texas, and Utah.

Clothing Sales Tax

Residents of New Jersey, Pennsylvania, Minnesota, and New York* are not required to pay sales tax on clothing items. However, our computer system is not set up to deduct these amounts automatically. Consultants in these states may contact Consultant Services within 60 days of placing an order to have the sales tax paid on clothing items credited to their commissions.

* Exempt from 4.25% state tax only, local taxes will still apply.

Tax-Exempt Sales

Certain organizations are exempt from paying sales taxes. For an order to qualify as exempt from sales tax, the Consultant must verify that the purchasing organization is exempt from sales tax. When accepting orders from a tax-exempt organization or individual, please check with your provincial and/or federal tax authorities to verify tax-exempt status. Tax-exempt orders do not affect Hostess Rewards; the policy remains the same. Each tax-exempt order must be accompanied by a Sales Tax Exemption Form to verify tax-exempt status. This form is available in Online Office. Tax-exempt orders are accepted via mail or fax only. Close To My Heart is not able to accept tax-exempt orders online.