



POLICIES AND PROCEDURES MANUAL

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CODE OF ETHICS

Velara, Inc. has made a commitment to provide the finest auction services backed with impeccable service. In turn, the company expects Velara, Inc. Distributors to reflect that image in their relationships with Customers and other Distributors.

As an Independent Distributor you are generally free to operate your business as you see fit but it is to our mutual, long-term advantage if you accord to the highest standards of integrity and fair practice in your role as a Velara, Inc. Distributor. The Code of Ethics, therefore, states:

As an Independent Distributor:

- ◆ I will conduct my business in an honest, ethical manner at all times.
- ◆ I will make no representations about the benefits associated with Velara, Inc. services other than those contained in officially-approved corporate literature and videos.
- ◆ I will provide support and encouragement to my customers to ensure that their experiences with Velara, Inc. is a successful one. I understand that it is important to provide follow-up service and support to my downline.
- ◆ I will motivate and actively work with Distributors of my downline organization to help them build their Velara, Inc. business.
- ◆ I will refrain from exaggerating my personal income or the income potential in general and will stress to Distributor candidates the level of effort required to succeed in the business.
- ◆ I will not abuse the goodwill of my association with Velara, Inc. to further and promote other business interests (particularly those which may be competitive to Velara, Inc.) without the prior written consent of Velara, Inc..
- ◆ I will not make disparaging remarks about other products, services, Distributors, or companies; likewise, I will not willfully denigrate the activities or personalities of fellow Velara, Inc. Distributors.
- ◆ I will abide by all of the Policies and Procedures of Velara, Inc. as included herein, or as may be amended from time to time.



POLICIES AND PROCEDURES

1 Distributor REQUIREMENTS

In order to become a Distributor the applicant must be the age of majority in the state in which he/she resides. To become a Distributor an applicant must complete an official Velara, Inc. Application and Agreement on which is recorded his/her social security number or taxpayer identification number. That Application and Agreement must be accepted by the company at its home office and notice of its acceptance received by the applicant.

For corporations registering as a Velara, Inc. Distributor the Federal Employer's Identification Number (FEIN) shall be included on their application. Velara, Inc. reserves the right to accept or reject anyone as a Distributor.

Husband and wife may each have their own Distributorship, however, under no circumstances may husband and wife be sponsored in different organizational lines. Either the husband or the wife must be the sponsor of the other. Any attempt at dual-line sponsoring will be terminated by the company.

2 PARTNERSHIP OR CORPORATION REQUIREMENTS

A partnership or corporation may hold a Distributorship upon completion of the Distributor application form, and providing on that form in the appropriate space, a Federal tax ID number. However, an individual may not participate in more than one (1) Distributorship of any kind. A Distributor may change status under the same sponsor from individual to partnership or corporation, or from partnership to corporation with proper and complete documentation.

The person signing the application on behalf of a partnership or corporation must have the authority of the partnership or corporation for entering into the transaction. In addition, by signing for a partnership or corporation, you certify that no person with an interest of debt or equity in the business has had an interest in a Distributorship in Velara, Inc. within six (6) months of the date of signature.

3 SPONSORSHIP

All Distributors have the right to sponsor others anywhere within the United States, or other nations as they may from time to time be opened by Velara, Inc., bearing in mind the need for personal contact. Every person has the ultimate right to choose his/her own sponsor when they initially sign-up as a Distributor with Velara, Inc..

If two Distributors should claim to be the sponsors of the same new Distributor, Velara, Inc. shall acknowledge the first application received at corporate headquarters.



As a general rule, it is good practice to regard the first Distributor who meaningfully worked with a prospective Distributor or Customer (defined as an individual or company that has purchased products, services or bids from Velara, Inc. for personal use) as having first claim to sponsorship. Basic tenets of common sense and consideration should govern. Cross-sponsorship and cross-recruiting are strictly prohibited with the Velara, Inc. organization.

In regard to any dispute, Velara, Inc. reserves the right to make the final decision.

4 SPONSOR RESPONSIBILITIES

Any Distributor who sponsors other Distributors must fulfill the obligation of performing a bona fide supervisory and training function on behalf of those sponsored.

Distributors must have ongoing contact, communications, and management supervision with their sales organization. Examples of such supervision may include, but are not limited to the following: newsletters, written correspondence, personal meetings, telephone contact, training sessions, or accompanying individuals to corporate events.

5 NETWORKING COOPERATION

It is strongly recommended that Distributors belonging to different networks cooperate with each other for mutual success. There are many benefits which can be accrued from such cooperation.

6 TRANSFERS OF SPONSORSHIP

Velara, Inc. prohibits the transferring from one sponsorship to another. The integrity of the entire network organization is based on the strength of the structure with the network. Allowing for transfers from one sponsor to another can only lead to strife and disaster.

The only way that a Distributor will be allowed to transfer sponsorship lines is by written resignation to the company, at which time the Distributor may rejoin the network in six (6) months under a new sponsor. It is important to note, however, that the Distributor will not be allowed to transfer their downline or qualified position with them.



7 DEATH OF DISTRIBUTOR

Upon the death of a Distributor his/her rights to commissions and marketing position, together with the Distributor's duties and responsibilities, shall pass to the successors in interest upon written notice to Velara, Inc..

In order to protect the company from fraud, Velara, Inc. requires a certificate of death and certified copy of the will, trust or other device before giving effect to the transfer of the Distributorship from the deceased Distributor to the named transferee. The successor Distributor shall be required to execute a new Velara, Inc. application.

8 SALE OF DISTRIBUTORSHIP POSITION

As Independent Distributors you are free to sell or assign your position for the going market price. However, in order to protect the integrity of Velara, Inc., any such sales agreements or transfers of interest must be approved by Velara, Inc. for substance and form prior to sale. There will be a nominal fee for this review process of \$45.00 per sales transaction.

Velara, Inc. reserves the right to accept or reject the sales agreement and transfer based on the qualifications of the purchasers, any misrepresentations by the seller, or other material issues involving the sale that may have detrimental results for Velara, Inc..

9 REPRESENTATIONS BY DISTRIBUTORS

Distributors are independent contractors, fully responsible for their own business procedures and are not to be considered purchasers of a franchise or employees of Velara, Inc. The agreement between Velara, Inc. and its Distributors does not create an employer/employee relationship, agency, partnership or joint venture between Velara, Inc. and the Distributors.

Distributors must not represent themselves in any way, orally or in writing, as being an agent or employee of the company. Distributors have no authority to bind Velara, Inc. to any obligation. Each Distributor shall hold Velara, Inc. harmless for any claims, damages or liabilities arising out of the Distributor's own business practice. Velara, Inc. will take aggressive action to insure that Distributors that violate this policy will be terminated and reported to the proper authorities.

Distributors are responsible for any expenses which result from their business operations, including, but not limited to, advertising, taxes, fees, legal costs and telephone expenses. Velara, Inc. does not accept collect telephone calls.

The Distributor may not use the company name on any written forms or documents (e.g. stationery, bank accounts, business signs) without stating "Independent Distributor" and prior approval by the company.



10 DISTRIBUTOR MATERIALS

Distributors are paid commissions on a retail sales basis. Distributors are required to purchase a non-commissionable \$49 on-line registration fee..

No additional product purchase is ever required to be a Distributor of Velara, Inc..

11 RETAIL SALES

Personal service and retail sales to the customer are the foundation of Velara, Inc.. The entire commission structure is based upon volume of retail sales referred by the individual Distributor as well as their entire organization.

Velara, Inc. services or products may be referred by registered Distributors. Distributors may refer company services or products to retail Customers for their personal use, not for resale to other consumers.

12 RETAIL SALES IN STORES OR OTHER OUTLETS

To ensure that each Distributor has a fair and equal opportunity, and to encourage ongoing personal support, it is strictly forbidden for Velara, Inc. services to be sold in any retail outlet, without prior written consent of Velara, Inc.. Literature, may however, be displayed referring the consumer to an Independent Distributor.

13 DISTRIBUTOR ETHICS

Velara, Inc. will not permit activity that is obviously unethical or unprofessional. Even though the line between aggressive professional marketing efforts and unethical behavior and harassment can be vague, Velara, Inc. will intercede when such behavior is evident, and reserves the right to use its sole judgment in deciding whether certain Distributor activities are inappropriate and, if determined to be so, to act accordingly.

14 REFUND POLICY

Velara, Inc. offers all customers a thirty day return period on product purchases, please note that any bids placed with any associated auction are not eligible for a refund. If a Customer is dissatisfied with any Velara, Inc. product within thirty (30) days of purchase, the Customer may return the product for a refund of the amount paid. Product returns must be unopened and in resalable condition. Customer returns must be submitted with receipt of purchase. Shipping costs are not refundable. Refunds will be issued within thirty days of Velara, Inc.' receipt of refund request. Products returned for a manufacturer defect may be exchanged free of charge if Velara, Inc. has a replacement product in stock, otherwise Customer will be provided with an equivalent product at



Velara, Inc.'s discretion. If a Distributor returns more than \$300.00 in products in any twelve (12) consecutive month period, it shall constitute the Distributor's request to cancel his or her Distributor Agreement, and the return shall be treated as an inventory return pursuant to Section 15.

15 Return of Sales Aids and Inventory by Distributors Upon Cancellation

Distributors may cancel the Distributor Agreement within three (3) days of execution and receive a full refund of all distributorship fees. Upon cancellation of a Distributor's Agreement, the Distributor may return any sales aids held in his or her inventory for a refund. Distributors may only return sales aids that he or she personally purchased from Velara, Inc. (purchases from other Distributors or third parties are not subject to refund) and which are in resalable condition and which have been purchased within one year prior to the date of cancellation. Upon receipt of resalable sales aids, the Distributor will be reimbursed 90 percent of the net cost of the original purchase price(s). Shipping charges are not refundable. If the purchases were made through a credit card, the refund will be credited back to the same account.

Montana Residents

A Montana resident may cancel his or her Distributor Agreement within fifteen (15) days from the date of enrollment, and may return his or her sales aids for a full refund within such time period.

Procedures for All Returns

Instructions for returns are contained in the Velara, Inc. Product Return Form, which can be downloaded at www.Velara, Inc..com.

16 SALES TAX

All Velara, Inc. services are subject to the sales tax in the state, county, or city that levies such a tax and in which a sale occurs. This tax is calculated on the retail value of the purchase. Unless the Distributor has filed a tax resale number with Velara, Inc., the company will collect the appropriate tax.

17 INDIVIDUAL TAXES

Each Distributor shall comply with all state and local taxes and regulations governing the sale of Velara, Inc. services. Additionally, each Distributor is required to provide on their Distributor application form either their Social Security number, taxpayer identification number, or Federal tax ID number. As the Distributor is a self-



employed contractor, Velara, Inc. does not deduct any personal taxes from commission checks.

At the end of the calendar year, Velara, Inc. is obligated by law to provide the Distributor and the Internal Revenue Service with a form 1099 reporting the Distributor's annual income from Velara, Inc.. This is required for any Velara, Inc. with earnings in excess of \$600.00 for the calendar year.

18 PROPRIETY NATURE OF DOWNLINE REPORTS

The company may from time to time supply data processing information and reports to Velara, Inc. Distributors concerning their downline organizations. The Distributor agrees that such information is proprietary and confidential to both the company and the individual Distributor and is transmitted to the Distributor in confidence.

The Distributor agrees that he/she will not disclose such information to any third party directly or indirectly, nor use the information to compete with the company directly or indirectly.

The Distributor and the company agree that, but for this agreement of confidentiality and nondisclosure, the company would not provide the above confidential information to the Distributor.

19 AMENDMENTS

Velara, Inc. expressly reserves the right to alter or amend wholesale prices, product availability and/or product contents, policies and procedures, and compensation plan.

Such amendments are automatically incorporated as part of the agreement between Velara, Inc. and the Distributor when published in official company literature.

20 PRODUCT AND INCOME CLAIMS

Velara, Inc. Distributors agree to make no false or fraudulent representations about the company, its products, services, the compensation plan or earnings potential.

The Distributor must not make any claims for Velara, Inc. services which are not supported by facts contained in official company literature.



21 ANNUAL RENEWAL FEE

Distributors are required to renew their agreements on the anniversary of the date they became Distributors. The annual renewal fee is to be \$49.00. Renewal forms will be distributed by Velara, Inc. two months prior to the anniversary date of the individual Distributors. Failure to return the renewal fee and agreement by the anniversary date will be construed as a resignation and all agreements between the company and the Distributor will be considered null and void.

22 DISTRIBUTOR CHANGE OF ADDRESS

Distributors must report any change of address by sending written notice to the Velara, Inc. headquarters office.

23 RESIGNATION OF A DISTRIBUTOR

A Distributor has the right to terminate their agreement at any time and for any reason without reason without penalty by giving seven (7) days written notice to the company at its principal place of business.

At the end of the seven (7) day notice period, all rights to commissions, position, and wholesale purchases cease, and the Distributor is no longer entitled to advertise, sell, or promote Velara, Inc. services. The former Distributor's downline shall be transferred to his/her sponsor.

The resigning Distributor is not eligible to be sponsored into Velara, Inc. again for a period of six (6) months following the date of termination.

24 TERMINATION BY INACTIVITY

After six (6) months of consecutive inactivity, a Distributor will be deleted from the commission structure. The deleted Distributor will, however, be eligible for immediate sponsorship.

25 TERMINATION OF DISTRIBUTORSHIP

The company reserves the right to terminate any Distributorship at any time, or suspend said Distributor for a probationary period, when it is determined that the Distributor has violated the provisions of the Distributor Agreement, including the provisions of these Policies and Procedures as they now exist or may be amended, or the provisions of applicable laws and standards of fair dealing.



Upon such a termination, the company shall notify the Distributor by certified mail at the latest address listed with the company.

The terminated Distributor agrees to immediately cease representing himself/herself as a Distributor, and will not be allowed to ever return to the position of Distributor with Velara, Inc.. Where applicable state law on termination of a Distributor is inconsistent with company policy, such state law termination procedures shall be in force.

If the Distributor wishes to appeal the termination, Velara, Inc. must receive the appeal, in writing, within fifteen (15) days from the date of mailing of the company's termination letter. If the appeal is not received with the 15-day period, the termination will be automatically deemed final. If the Distributor files a timely appeal of termination, Velara, Inc. will review and reconsider the termination, consider any other appropriate action and notify the Distributor of its decision. The decision of the company will be final and subject to no further review.

In the event that the termination is not rescinded, the termination will be effective as of the date of the company's original termination notice.

Upon termination of a Distributorship, all rights to commissions, position, and wholesale purchase rights cease. The terminated Distributor's organization shall be transferred to his/her sponsor. The terminated Distributor will not be eligible for future sponsorship.

26 ADVERTISING

Because Distributors are independent contractors they may promote their business in any legal and ethical manner, and may advertise without company approval, provided that they do not use the corporate name, logo or trademarks.

Any advertisement which utilizes the company name, logo or trademarks must be approved by the company prior to any advertisement. The ad must also state that the individual placing the ad is an "Independent Distributor".

Distributors are prohibited from answering the phone in any manner that would give callers reason to believe that they have reached the corporate offices of Velara, Inc..

The company strictly prohibits Distributors from utilizing web sites to advertise or promote the services or opportunity, other than the official company sponsored and maintained web site.



27 DELIVERY AND PAYMENT METHODS

Velara, Inc. will not accept orders on a C.O.D. basis. All orders must be prepaid with cashier's check, money order, an approved Visa or MasterCard, or American Express Card or Discover Card.

Delivery will be within ten (10) days of receipt of order, unless some unforeseen event causes a delay in shipment.

28 WAIVER

The company never gives up its right to insist on compliance with these rules or with the applicable laws governing the conduct of a business. This is true in all cases, both specifically expressed and implied, unless an officer of the company who is authorized to bind the company in contracts or agreements specifies in writing that the company waives any of these provisions.

29 GOVERNING LAWS

Any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Distributors waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in Orange County, California. Louisiana residents may elect to arbitrate in New Orleans. All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure, and the Federal Rules of Evidence shall apply. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a strong preference being an attorney knowledgeable in the direct selling industry, selected from the panel that the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

Notwithstanding the foregoing, nothing in these Policies and Procedures shall prevent Velara, Inc. from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction or other relief available to safeguard and protect Velara, Inc.'s interest prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.



Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in Orange County, State of California or in the United States District Court for Southern California. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of California shall govern all other matters relating to or arising from the Agreement. Notwithstanding the foregoing, and the arbitration provision, residents of the State of Louisiana shall be entitled to bring an action against Velara, Inc. in their home forum and pursuant to Louisiana law.

30 INVALIDITY OF ANY PARAGRAPH

Should any portion of these policies and procedures, of the Distributor's Application and Agreement, or any other instruments referred to herein or issued by the company be declared invalid by a court of competent jurisdiction, the balance of such rules, applications, or instruments shall remain in full force and effect.

31 SANCTIONS AND ENFORCEMENT ACTION

Sanctions will not be employed lightly, nor will the company be arbitrary or unfair in their use. It is important to remember, however, that a Distributor who violates these policies and procedures jeopardizes the integrity and standing of all Distributors.

The company reserves the right to revoke the status of Distributors or place violators on probation for a period which may delay their eligibility for advancement in the marketing plan. It is for the benefit of everyone that every Distributor abides by the letter and spirit of these policies and procedures.

32 NOTICES TO Velara, Inc.

Any notice to Velara, Inc. Should be sent to the corporate office at:

4921 Birch Street, Suite 110, Newport Beach, CA 92660

33 CHARGE BACKS

If commissions have been paid to a Distributor and subsequent returns on products occur which cause refunds to be issued to the purchaser, the commissions overpaid will be charged back against the Distributor's next check, or first check with available commissions to cover the refunds.