

(2) For purposes of this contract, a CSP-compensated Seller does not include a Seller who is related, as described in section 267(b) or 707(b) of the Internal Revenue Code, to an entity that does not meet the criteria in Section D.2.(b)(1) of this contract in the Streamlined State if: (i) the related entity provides services on behalf of the Seller, regardless of whether the related entity is acting as an agent of the Seller, including but not limited to delivering the Seller's products, accepting returns of the Seller's products or resolving customer complaints of the Seller; or (ii) the Seller and related entity are structured or restructured on or after June 21, 2018 in whole or in part such that the Seller would now otherwise qualify as a CSP-compensated Seller. This Section D.2.(b)(2) does not apply to Sellers that were properly registered through the SSTRS as CSP-compensated Sellers (previously known as "volunteer sellers") prior to June 21, 2018. However, if the Seller is involved in a structuring or restructuring activity subsequent to June 21, 2018, this Section would apply and could prevent the Seller from remaining a CSP-compensated Seller.

### **Examples to Illustrate How the Above Would Apply**

#### **Example 1 –**

- Seller A is an online only jewelry store with its only location in New Hampshire.
- Seller B is a shoe store with physical locations in 4 Streamlined states (AR, GA, IA and IN).
- Seller A and Seller B are both owned 100% by Parent C.

#### Example 1 - Scenario 1

If Seller B does not provide any services to Seller A's customers on behalf of Seller A, Seller A qualifies as a CSP-compensated Seller.

#### Example 1 - Scenario 2

- Seller B allows Seller A's customers to return the products purchased from Seller A to Seller B's locations in AR and GA.
- However, Seller A's customers cannot return the products it purchased from Seller A to Seller B's locations in IA and IN.

Since Seller B allows Seller A's customer to return the products purchased from Seller A to Seller B's locations in AR and GA, Seller A will not qualify as a CSP-compensated Seller under this provision in AR and GA, regardless of whether Seller B is an agent of Seller A. However, since Seller B does not allow Seller A's customers to return products purchased from Seller A at its locations in IA and IN, Seller A may still qualify as a CSP-compensated Seller in IA and IN.

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#### **Example 2 –**

- Parent D owns stores that sell both jewelry and shoes.
- The stores are located in 10 SST states.
- Parent D restructures its organization and puts the jewelry operations in one entity (Seller X) and the shoe operations in a separate entity (Seller Y).
- Customers can now only purchase the jewelry online from Seller X, which only has a location in New Hampshire.
- Customers can purchase the shoes online or in the physical stores located in 10 SST States from Seller Y.

- By splitting the single entity into two separate entities, Seller X generally meets the criteria for being a CSP-compensated Seller in all of the SST States.
- Seller Y does not meet the criteria for being a CSP-compensated Seller in the 10 SST States in which Seller Y has a physical store.

Example 2 - Scenario 1

Since Seller X and Seller Y are related entities and the entities were restructured in such a way that Seller X would now potentially qualify as a CSP-compensated Seller, Seller X will not qualify as a CSP-compensated Seller in the 10 SST States that Seller Y has a physical location. Seller X may still qualify as a CSP-compensated Seller in the other SST States. (Note: If Seller Y subsequently opens additional stores in other SST States, Seller X will no longer qualify as a CSP-compensated Seller in those States.)

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**Example 3 –**

- Company E is an investment entity that purchases various companies.
- Company E purchases Computer Supplier H that only sells computers online and is only located in New Hampshire. Computer Supplier H generally qualifies as a CSP-compensated Seller.
- Company E subsequently purchases Computer Repair Company I that has locations in every state and does not qualify as a CSP-compensated Seller.

Example 3 - Scenario 1

Computer Repair Company I provides computer repair services to anyone, including Computer Supplier H. Computer Repair Company I does not treat Computer Supplier H any differently than any of its other unrelated third party customers and does not provide any services on behalf of Computer Supplier H. Although Company E owns both Computer Supplier H and Computer Repair Company I (i.e., they are related entities), that does not disqualify Computer Supplier H from being a CSP-compensated Seller.

Example 3 - Scenario 2

Computer Repair Company I provides computer repair services to anyone, including Computer Supplier H. However, Computer Repair Company I also allows customers of Computer Supplier H to return products to Computer Repair Company I's stores and provides repair services to Computer Supplier H's customer on behalf of Computer Supplier H. Since Company E owns both Computer Supplier H and Computer Repair Company I they are related entities. Therefore, since Computer Repair Company I also allows Computer Supplier H's customers to return products to their store or provides repair services on behalf of Computer Supplier H, Computer Supplier H will not qualify as a CSP-compensated Seller because Computer Repair Company I does not qualify as a CSP-compensated Seller.