

**IW Marketing International Canada ULC**  
**STATEMENT OF POLICIES**  
**and**  
**PROCEDURES**  
**Effective December 1, 2014**

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## **SECTION 1 - INTRODUCTION**

### **1.1 - Policies and Compensation Plan Incorporated into Distributor Agreement**

These Policies and Procedures, in their present form and as amended at the sole discretion of IW Marketing International Canada ULC (hereafter 'IWM' or the 'Company'), are incorporated into, and form an integral part of, the IWM Distributor Agreement. Throughout these Policies, when the term 'Agreement' is used, it collectively refers to the IWM Independent Distributor Application and Agreement, these Policies and Procedures, the IWM Compensation Plan, and the IWM Business Entity Registration Form (if applicable). These documents are incorporated by reference into the IWM Distributor Agreement (all in their current form and as amended by IWM). It is the responsibility of each Distributor 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. When sponsoring or enrolling a new Distributor, the sponsoring Distributor should confirm that the applicant has online access to and has reviewed the most current version of these Policies and Procedures and the IWM Compensation Plan prior to his or her execution of the Distributor Agreement.

### **1.2 - Purpose of Policies**

IWM is a direct sales company that markets its products and services through Independent Distributors (hereafter 'Distributor' or 'Distributors'). It is important to understand that your success and the success of your fellow Distributors depends on the integrity of the men and women who market our products and services. To clearly define the relationship that exists between Distributors and IWM and to explicitly set a standard for acceptable business conduct, IWM has established the Agreement.

IWM Distributors are required to comply with all of the Terms and Conditions set forth in the Agreement which IWM may amend at its sole discretion from time to time, as well as all federal, provincial, and municipal laws governing their IWM 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 your Sponsor or from IWM.

### **1.3 - Changes to the Agreement**

Because federal, provincial, and municipal laws, as well as the business environment, periodically change, IWM reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Distributor Agreement, a Distributor agrees to abide by all amendments or modifications that IWM elects to make. Amendments shall be effective 7 days after publication of notice to all Distributors that the Agreement has been modified. Notification of amendments shall be published in official IWM materials. The Company shall provide or make available to all Distributors a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company's official website; (2) electronic mail (e-mail); (3) inclusion in Company periodicals; (4) inclusion in product orders or bonus cheques; or (5) special mailings. The continuation of a Distributor's IWM business or a Distributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

### **1.4 - Delays**

IWM 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. The severed provision, or portion thereof, shall be reformed to reflect the purpose of the provision as closely as possible.

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

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

## **SECTION 2 - BECOMING A DISTRIBUTOR**

### **2.1 - Requirements to Become a Distributor**

To become an IWM Distributor, each applicant must:

- a) Be of the age of majority in his or her province of residence;
- b) Reside in the province that IWM has officially announced is open for business;
- c) Have a valid Social Insurance or Federal Business Number;
- d) Purchase a (1) IWM Basic Enrollment Kit, and (2) IWM Business Support and Services, which are sold at the Company's cost price of same, which are for the sole purpose of facilitating sales; and
- e) Submit a properly completed Distributor

Application and Agreement to IWM, either in hard copy or online format.

- f) When enrolling, the First and Last name fields must contain the first and last name of the distributor who is enrolling. If enrolling a business, the first and last name of the person responsible for the business must be entered. It is not acceptable to enter the business name in the first and last name fields. If entering a business name, the business must be registered with the Canada Revenue Agency ("CRA") with a business number and must not be a sole proprietorship. Any business names that are not registered with the CRA or that are sole proprietorships may be used on the replicated website but may not be entered on the account as an entity name.

### **2.2 - No Product Purchase Required**

No person is required to purchase It Works! products, services or sales aids, or to pay any charge or fee to become a Distributor other than purchase of an at cost Basic Enrollment Kit, at its cost price, , which is sold for the sole purpose of facilitating sales. Any products a distributor chooses to purchase, including the Basic Enrollment Kit, may be returned for refund under the terms of the Distributor Buy-Back Guarantee Policy pursuant to the terms of Section 7.3 below. The Basic Enrollment Kit does not contain any commissionable products and any other products a distributor chooses to purchase in connection with becoming a distributor is optional.

### **2.3 - Distributor Benefits**

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

- a) purchase It Works! products and services and offer them for sale to retail customers;
- b) Participate in the IWM Compensation Plan (receive bonuses and commissions, if eligible);
- c) Sponsor other individuals as Customers or Distributors into the IWM business and

thereby build a Marketing Organization and progress through the IWM Compensation Plan;

- d) Receive periodic IWM literature and other IWM communications;
- e) Participate in IWM-sponsored support, service, training, motivational and recognition functions upon payment of appropriate charges, if applicable; and
- f) Participate in promotional and incentive contests and programs sponsored by IWM for its Distributors.

## **2.4 - Term and Renewal of Your IWM Business**

The Distributor Agreement must be renewed each year on subscription by the Distributor for the Company's Business Support & Services plan. By subscribing to the plan, the Distributor will be provided with a replicated website, access to 24-7 website support and online order tracking, and professional personal business tracking and support. Where a Distributor Agreement has failed to renew, the Distributor may not reapply under a new sponsor for three (3) months after non-renewal.

## **SECTION 3 - OPERATING AN IWM BUSINESS**

### **3.1 - Adherence to the IWM Compensation Plan**

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

## **3.2 - Advertising**

### **3.2.1 - General**

All Distributors shall safeguard and promote the good reputation of IWM and its products. The marketing and promotion of IWM, the IWM opportunity, the Compensation Plan, and It Works! 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 IWM offers, Distributors must use the sales aids and support materials produced by IWM. The rationale behind this requirement is simple. IWM has carefully designed its products, product labels, Compensation Plan, and promotional materials to ensure that each aspect of IWM is fair, truthful, substantiated, and complies with the vast and complex legal requirements of federal and provincial laws. If IWM Distributors were allowed to develop their own sales aids and promotional materials, notwithstanding their integrity and good intentions, the likelihood that they would unintentionally violate any number of statutes or regulations affecting an IWM business is almost certain. These violations, although they may be relatively few in number, would jeopardize the IWM opportunity for all Distributors.

Accordingly, Distributors must submit all written sales aids, lead generation systems, promotional materials, advertisements, and other literature to the Company for approval to compliance@itworksglobal.com. Unless the Distributor receives specific written approval to use such tools, the request shall be deemed denied. Independently produced websites are not permitted unless approved by the Company.

IWM shall not permit Distributors to sell sales aids to other IWM Distributors. Therefore, Distributors who receive authorization from IWM to produce their own sales aids may not sell such material to any other IWM Distributor. Distributors may make approved material available to other Distributors free of charge if they wish, but may not charge other IWM Distributors for the material unless express written approval is received from the Company. Distributors are prohibited from reproducing or

copying written documents or marketing materials, films or sound recordings identical or deceptively similar to any materials produced by the Company.

IWM further reserves the right to rescind approval for any sales tools, promotional materials, advertisements, or other literature, and Distributors waive all claims for damages or remuneration arising from or relating to such rescission.

### **3.2.2 - Marketing and Lead Generation Systems**

a) All systems must first be submitted to IWM Compliance and then reviewed and approved with corporate executive sign off before leaving the test server environment.

b) The system must only be promoted to the Distributor's personal enrollees, who then can promote the system to their personal enrollees.

c) At the Double Diamond level and above, the Distributor must obtain written permission of their downline at the Diamond level and above that it is permissible to market to their particular downlines.

d) After initial approval, the Distributor must obtain approval for any modifications or changes.

e) The system shall only utilize standard Company image packages.

f) No affiliate programs are allowed, e.g. earn \$5 for every person you sign up or sign up 2 and your system is free.

g) The system shall make no product or income claims.

### **3.2.3 - Distributor Websites**

If a Distributor desires to utilize an Internet web page to promote his or her business, he or she may do so through the Company's replicated website program only. This program permits Distributors to advertise on the Internet and to choose from a variety of home page designs that can be personalized with the Distributor's message and the Distributor's contact information. These websites seamlessly link directly to the official IWM website giving the Distributor a professional and Company-approved presence on the Internet. No Distributor may independently design a website that uses the names, logos, or product

descriptions of IWM or otherwise promotes (directly or indirectly) It Works! products or the IWM opportunity. Nor may a Distributor use 'blind' ads on the Internet that make product or income claims which are ultimately associated with It Works! products, the IWM opportunity, or the IWM Compensation Plan. The use of any other Internet website or web page (including, without limitation, auction sites such as eBay or Craigslist) to in any way promote the sale of It Works! products, the IWM opportunity, or the Compensation Plan is a breach of the Agreement and may result in any of the contractual remedies set forth in Section 8.1. See **Social Media and Internet Addendum to Policies and Procedures**, infra for a detailed discussion of Company Policies.

### **3.2.4 - Blogs, Chat Rooms, Social Networks, Online Auctions, and other Online Forums**

Except as expressly provided for in these Policies and Procedures, Distributors shall not use online blogs, chat rooms, social networks, online auction sites, or any other online forum to offer or arrange for sale of It Works! products or services or the IWM opportunity. See **Social Media And Internet Addendum To Policies And Procedures**, infra for a detailed discussion of Company Policies.

### **3.2.5 - Domain Names and Email Addresses**

Distributors may not use or attempt to register any of It Works! trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain or replicated website name. Nor may Distributors incorporate or attempt to incorporate any of the Company's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, into any electronic mail address. If any Distributor owns or otherwise controls domain names or email addresses related to the Company business or its products and services, Company reserves the right to require the Distributor to transfer ownership and control to Company at the cost Distributor paid for such domain names or email addresses.

### **3.2.6 - Trademarks and Copyrights**

IWM will not allow the use of its It Works! trade names, trademarks, designs, or symbols by any person, including IWM Distributors,

without its prior written permission. Distributors may not produce for sale or distribution any recorded Company events and speeches without written permission from IWM nor may Distributors reproduce for sale or for personal use any recording of Company-produced audio or videotape presentations.

### **3.2.7 - Media and Media Inquiries**

IWM Independent Distributors are not authorized to speak to any media source, including but not limited to radio, television, reporters for newspapers or magazines, and advertisement outlets. Distributors must not attempt to respond to media inquiries regarding IWM, It Works! products or services, or their independent IWM business. All inquiries by any type of media must be immediately referred to the Company's Public Relations Department at [PR@itworksglobal.com](mailto:PR@itworksglobal.com). At that time, The Company's PR Department will review the media referral and decide whether or not we will corporately proceed. This policy is designed to assure that accurate and consistent information is provided to the public as well as a proper public image.

Distributors cannot utilize media outlets for advertising, distribution or promotion of It Works! products or opportunity without the express written consent of IWM PR or Compliance Departments.

IWM does not allow use of pictures from celebrities purporting to use It Works! products or the making of claims on images that are not your own.

### **3.2.8 - Unsolicited Email**

IWM does not permit Distributors to send unsolicited commercial emails unless such emails strictly comply with applicable laws and regulations including, without limitation, the federal Canada's Anti-Spam Legislation ("CASL"). Any unsolicited e-mails, telephones, or faxes are not sent on behalf of the Company, and the Distributor shall be solely responsible for any consequences at law or otherwise that result from contacting persons in contravention of this section. Any email sent by a Distributor that promotes IWM, the IWM opportunity, or It Works! products and services must comply with the following:

- a) There must be a functioning return email

address to the sender.

- b) There must be an unsubscribe mechanism that must enable the recipient to indicate, at no cost to him/her, that he/she no longer wishes to receive commercial electronic messages from the Distributor and that he or she may do so by replying to the email, via the functioning return email address, to request that future email solicitations or correspondence not be sent to him or her.
- c) The email must include the Distributor's name, physical mailing address, a telephone number providing access to a voice message system or an e-mail address or a web address of the Distributor sending the message.
- d) The email must clearly and conspicuously disclose that the message is an advertisement or solicitation.
- e) The use of deceptive subject lines and/or false header information is prohibited.
- f) All unsubscribe requests, whether received by email or regular mail, must be honored. If a Distributor receives an unsubscribe request from a recipient of an email, the Distributor must forward a copy of the unsubscribe request to the Company.

IWM may periodically send commercial emails on behalf of Distributors. By entering into the Distributor Agreement, Distributor agrees that the Company may send such emails and that the Distributor's physical and email addresses will be included in such emails as outlined above.

### **3.2.9 - Telemarketing Rules**

Except as provided in this section, Distributors may not use or transmit unsolicited faxes or use an automatic telephone dialing system relative to the operation of their IWM businesses and agree to inform themselves of the laws applicable to telemarketing.. The terms "unsolicited faxes" and "unsolicited telephone calls" means faxes and telephone calls, respectively, made for the purpose of solicitation to a recipient who has not consented to the fax or telephone call. 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.

Distributors are not authorized to make unsolicited telephone calls or send unsolicited faxes on the Company's behalf. If a Distributor decides to make such calls to persons with whom he/she has an Existing Business Relationship (defined to arise where (1) a product or service has been purchased by the person from the Distributor within the previous 18 months, (2) an inquiry or application has been made by the person of the Distributor within the previous 6 months, or (3) there is a written contract currently in effect between the person and the Distributor or that has expired within the previous 18 months), they do so on their own behalf and are required to undertake that they will comply with all applicable rules and laws, including: (1) privacy laws, (2) registration with the National Do Not Call List program under the Telecommunications Act rules, (3) maintaining a Do Not Call List so that consumers may request not to be called, and (4) disclosing the following information at the beginning of the call: purpose of the call, a toll-free telephone number for questions or comments about the call, the nature of the product or business interest being promoted, and the identity of the person or organization on whose behalf the call is made, the price of any product being promoted and any material restrictions, terms or conditions applicable to its delivery. Distributors are not permitted to make or send any other unsolicited telephone calls or unsolicited faxes.

### **3.2.10 - Newspaper Advertisements**

Some Distributors use classified advertising in the newspapers to find prospects. The following rules apply:

No advertisement may imply that a 'job' or 'position' is available.

No specific income may be promised.

Advertisements must contain no misleading facts or distortions of the Company opportunity or product line.

### **3.3 - Recruitment Bonuses and Bonus Buying Prohibited**

There is only one revenue generating event for a Distributor, namely the sale of the Company's products and services to retail customers by the Distributor or by the Distributor's downline organization. The Distributor acknowledges that

all commissions and other remuneration shall be ultimately based on the resale of products and services to customers, and that no commissions or other remuneration (including overrides, bonuses, incentives and awards) shall be paid for the mere sponsorship or enrolment of any other Distributor, or any voluntary training, motivation or marketing efforts of the Distributor. Distributors are strictly prohibited from making or representing that compensation is payable for anything other than on the foregoing basis.

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 Distributor Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Distributor or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Distributors or Customers ('phantoms'); (d) purchasing excessive amounts of goods or services that cannot reasonably be used or resold in a month; (e) attempt to cross sponsor or re-enroll an existing customer or distributor; or (f) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions or bonuses that is not driven by bona fide product or service purchases by end user consumers. A Distributor is allowed a total of 5 order transfer requests per month with a total bonus volume limit of 1,000 BV without violating this provision. The order can only be transferred to a distributor in the downline of the distributor requesting the order transfer. Orders may only be transferred in full and may only be transferred once. An order transfer is where a Distributor places an order under themselves and then requests that this order be moved under another Distributor. Once a Distributor has reached the limit of 5 requests for the month, all other requests will be denied. Orders may not be moved to or from a Loyal or Retail Customer. A Distributor may not also be a Loyal Customer. Distributors are prohibited from placing orders directly on another distributor or Loyal Customer account using their own or a prepaid credit card to make payments or use another account to ship orders to themselves. All bonuses, applicator rewards, product credits, and commissions earned belong to the

account holder and can only be redeemed by the account holder.

### **3.4 - Business Entities**

A corporation, partnership or trust (collectively referred to in this section as a 'Business Entity') may apply to be an IWM Distributor by submitting its Certificate of Incorporation, Partnership Agreement or trust documents (these documents are collectively referred to as the 'Entity Documents') to IWM, along with a properly completed Distributor Application and Agreement. If a Distributor enrolls online, the Entity Documents must be submitted to IWM within 30 days of the online enrollment. (If not received within the 30-day period, the Distributor Agreement shall automatically terminate.) Members of the entity are jointly and severally liable for any indebtedness or other obligation to IWM.

To prevent the circumvention of Section 3.27 (regarding transfers and assignments of IWM business), if an additional partner, shareholder, or other business entity affiliate is added to a business entity, the original applicant must remain as a party to the original Distributor Application and Agreement. If the original Distributor 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 3.27. If this process is not followed, the business shall be canceled upon the withdrawal of the original Distributor. All bonus and commission cheques will be sent to the address of record of the original Distributor. 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 3.5, below. There is a \$40 fee for each change requested, which must be included with the written request and the completed Distributor Application and Agreement. IWM may, at its discretion, require notarized documents before implementing any changes to an IWM business. Please allow thirty (30) days after the receipt of the request by IWM for processing.

#### **3.4.1 - Changes to a Business Entity**

An IWM 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 \$40 fee for each change requested, which must be

included with the written request and the completed Distributor Application and Agreement. Such changes are effective once form is submitted, processed and approved. In addition, Distributors operating their IWM businesses utilizing a business entity must notify IWM of the addition or removal of any officers, directors, shareholders, managers, members or business associates of the business entity.

### **3.5 - Change of Sponsor**

To protect the integrity of all Marketing Organizations and safeguard the hard work of all Distributors, IWM strongly discourages changes in sponsorship. Maintaining the integrity of sponsorship is critical for the success of every Distributor and Marketing Organization. Accordingly, the transfer of an IWM business from one sponsor to another is rarely if ever permitted.

Requests for change of sponsorship must be submitted in writing to the Compliance Department and must include the reason for the transfer. Transfers will only be considered in the following three circumstances:

- a) In cases in which the new Distributor is sponsored by someone other than the individual he or she was led to believe would be his or her Sponsor, a Distributor may request that he or she be transferred to another organization with his or her entire Marketing Organization intact. All requests for transfer alleging fraudulent enrollment practices shall be evaluated on a case-by-case basis. Requests for transfer under this policy will be evaluated on a case-by-case basis and must be made within 60 days from the date of enrollment. The Distributor requesting the change has the burden of proving that he or she was placed beneath the wrong sponsor.
- b) In the event of a placement error during sign up, placement changes for Distributors and Loyal Customers can be completed by the enrolling Distributor through their eSuite within 24 hours of enrollment or by midnight PST the final day of the month, whichever comes first. Placement changes cannot be made for those who have enrolled before the Loyal Customer or Distributor they are requesting to be placed under. Retail Customers cannot be

moved. There can be only one placement change for a new Loyal Customer or Distributor. For security purposes, changes can only be requested by the current Distributor or the Distributor/Loyal Customer being moved. We are unable to accept third party requests for these changes. Any changes will need to be verified by Distributor or Customer being moved and will only be done with Company approval. Changes to the enrollment of new Distributors will not be authorized.

- c) The Distributor seeking to transfer must submit a properly completed and fully executed Sponsorship Transfer Form which includes the written approval of his or her immediate 5 upline Distributors. Photocopied or facsimile signatures are not acceptable. All Distributor signatures must be notarized. The Distributor who requests the transfer must submit a fee of \$40 for administrative charges and data processing. If the transferring Distributor also wants to move any of the Distributors in his or her Marketing Organization, each downline Distributor must also obtain a properly completed Sponsorship Transfer Form and return it to IWM with the \$40 change fee (i.e., the transferring Distributor and each Distributor in his or her Marketing Organization multiplied by \$40 is the cost to move an IWM business.) Downline Distributors will not be moved with the transferring Distributor unless all of the requirements of this paragraph are met. Transferring Distributors must allow thirty (30) days after the receipt of the Sponsorship Transfer Forms by IWM for processing and **verifying** change requests.

In cases wherein the appropriate sponsorship change procedures have not been followed, and a Marketing Organization has been developed in the second business developed by a Distributor, IWM reserves the sole and exclusive right to determine the final disposition of the Marketing Organization. Resolving conflicts over the proper placement of a downline that has developed under an organization that has improperly switched sponsors is often extremely difficult. Therefore, **DISTRIBUTORS WAIVE ANY AND ALL CLAIMS AGAINST THE COMPANY THAT RELATE TO OR ARISE FROM THE COMPANY'S DECISION**

## **REGARDING THE DISPOSITION OF ANY MARKETING ORGANIZATION THAT DEVELOPS BELOW AN ORGANIZATION THAT HAS IMPROPERLY CHANGED LINES OF SPONSORSHIP.**

### **3.5.1 - Cancellation and Reapplication**

A Distributor may legitimately change organizations, sponsorships, or leadership level sponsors by voluntarily cancelling his or her IWM business and remaining inactive (i.e., no purchases of It Works! products for resale, no sales of It Works! products, no sponsoring, no attendance at any IWM functions, and no participation in any other form of Distributor activity or operation of any other IWM business) for three (3) full calendar months. This three month prohibition applies to spouses, immediate family members and businesses. Following the three month period of inactivity, the former Distributor may reapply under a new sponsor; however, the former Distributor's Marketing Organization will remain in the original line of sponsorship. IWM will consider waiving the three month waiting period under exceptional circumstances. Such requests for waiver must be submitted to IWM in writing.

### **3.6 - Unauthorized Claims and Actions**

#### **3.6.1 - Indemnification**

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

#### **3.6.2 - Product Claims**

No claims (which include personal testimonials) as to therapeutic, curative or beneficial properties ("Health Claims") of any products offered by the Company may be made except those specific claims contained in official Company literature, and consistent with the current labelling and licensing, as applicable, of such product. Such claims may only be repeated or republished in exactly the same format as that published by the Company and

the claim must be republished in its totality. "Health Claims" includes any claim that the Company products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases, or that the Company products are manufactured, sold or represented for use in (a) the diagnosis, treatment, mitigation or prevention of a disease, disorder or abnormal physical state or its symptoms in humans; (b) restoring or correcting organic functions in humans; or (c) modifying organic functions in humans, such as modifying those functions in a manner that maintains or promotes health. Such statements can be perceived (and may be) as medical, drug claims, or natural health product claims. Not only would Health Claims breach the Company's Policies and Procedures, but they could potentially violate federal and provincial laws and regulations, including the federal Food and Drugs Act, and or the terms of applicable product licenses.

### **3.6.3 - Other Product Claims**

Distributors may not make any other product claims or representations regarding the Company's products except those that are specifically contained in official IWM Canadian literature or on the Company's Canadian website. Such claims or representations may only be repeated or republished in exactly the same format as that published by IWM and the claim must be republished in its totality. In particular, no Distributor may make any claim or representation ("Product Claims") regarding the following: (1) the performance, efficacy or life of the Company's products or services; (2) the testing of the Company's products or services; (3) testimonials or endorsements of the Company products or services; and (4) any matter that would be false or misleading in a material respect. Not only would such Product Claims breach the Company Policies and Procedures, but they could potentially violate federal and provincial laws and regulations, including the federal Competition Act. Therefore, all Distributors may only use preapproved Company Before and After pictures and other testimonials.

### **3.6.4 - Prohibition Against Income Claims & Earnings or Lifestyle Representations**

To ensure full compliance with section 55 of the federal Competition Act (Section 55), the Company strictly prohibits Distributors from

making representations relating to compensation or life-style (hereafter "Earnings Representations") under the Compensation Plan, whether to a prospective Distributor or otherwise. Without limiting the generality of this prohibition, and because Distributors do not have the data necessary to comply with the legal requirements for making Earnings Representations under Section 55, a Distributor, when presenting or discussing the Compensation Plan to a prospective Distributor, shall be strictly prohibited from, and shall not make or imply directly or indirectly, any verbal, physical, electronic or other claims that amount or could amount to Earnings Representations, and without limiting the generality of the foregoing, this prohibition shall include the making of income projections, improved lifestyle claims, hypothetical income examples or disclosures regarding a Distributor's own business income (including the showing of cheques, copies of cheques, bank statements, tax records, or other similar demonstrative documents).

Furthermore, so that the Company may meet its obligations under Section 55 to ensure that (a) no representations relating to compensation under the Compensation Plan are made by participants in the Compensation Plan and that (b) that any representations relating to compensation under the Compensation Plan that may be made, constitute or include fair, reasonable and timely disclosure of the information required by Section 55, any Distributors that has the reason to believe that this general prohibition against Earnings Representations is being contravened by themselves or any other person, SHALL HAVE THE POSITIVE OBLIGATION to inform, and SHALL INFORM THE COMPANY of the facts relevant to the contravention, such that the Company is capable of ensuring that any representations relating to compensation made under the Compensation Plan comply with the provisions of Section 55, or are otherwise corrected.

### **3.6.5 - Limited Right to Make Income Claims, With Timely Disclosure**

Without limiting the general prohibition against Earnings Representations, or the reporting obligations set out above, a Distributor shall have the following right(s):

(a) To repeat to prospective Distributors, any Earnings Representations found in official IWM literature or on the Company's Canadian website, provided immediately providing fair, reasonable and timely disclosure of the following official IWM Statement of Typical Participant Earnings, substantially as follows:

#### STATEMENT OF TYPICAL PARTICIPANT'S EARNINGS

The primary source of income of a Typical Participant in the Compensation Plan (the "Plan") of IW Marketing International Canada ULC (the "Company") is from compensation for the service of arranging for the sale of products. Personal earnings will vary. A Typical Participant in the Plan is defined to be an Independent Distributor who has been engaged in the Plan for at least one year, and who actively engages in the activities necessary to realize the benefits of the Plan.

A Typical Participant in the Plan earns between CAD 72 and CAD 2,015 annually.

Please note that the earnings data was derived from the earnings experience of the Company's U.S. parent company, which operates a similar and comparable compensation plan, selling comparable products in Ontario and British Columbia.

For greater certainty, the "Lower" and "Upper" Range information shall be provided by the Company on its website and in other published materials, from time to time, to properly reflect the earnings of a typical participant in the Canadian Plan, from time to time, and as otherwise required by section 55 Competition Act, and must be used by the Distributor in connection with the fulfillment of its obligations under this section.

(b) To make hypothetical income examples to prospective Distributors that are used to explain the operation of the Compensation Plan, and which are based solely on mathematical projections of information set out in the Compensation Plan, provided that in using such hypothetical examples the Distributor also immediately provides fair, reasonable and timely disclosure of the Statement of Typical Participant Earnings, and makes clear to the prospective Distributor(s) that such prior income examples are hypothetical.

#### **3.7 - Commercial Outlets**

In general, Distributors may not offer or arrange for sale of It Works! products from a commercial outlet, nor may Distributors display or offer or arrange for sale of It Works! products or literature in any retail establishment. The exception to this rule involves sales in service establishments where the nature of the business is to service customers and no competing products are sold by the facility. These types of businesses include, but are not limited to, salons, doctor offices, and health clubs. The sale of products within these facilities must be conducted by a Distributor whereby the prospect is introduced to the products and opportunity just as if they met outside of the retail facility. Only Company-produced literature, banners and signage may be used and may be displayed on a shelf, counter, or wall by itself. No products may be openly displayed from a shelf for retail sale. Company products may not be rebranded in any way, and all Company trademarks must be displayed. No Company product may be marketed as a generic product or service.

#### **3.8 - Trade Shows, Expositions and Other Sales Forums**

Distributors may display and/or offer or arrange for sale of It Works! products at trade shows and professional expositions. The Company policy is to authorize only one IWM business per event. Company recommends registering under the name Ultimate Body Applicator and inquiring if there are any other registrants using that name. IWM 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 IWM opportunity. No distributor may offer or arrange for sale or promote the Company's

products or business opportunity at swap meets, garage sales, flea markets or farmers markets as these events are not conducive to the professional image that IWM wishes to portray. When attending an event you must adhere to the following policies relative to participation in temporary sales forums:

- a. Only one IWM booth is allowed per show or event. It is your responsibility to check with the show manager/promoter to ensure there are no other distributors contracted before you contract for space.
- b. Only current IWM Independent Distributors are authorized to contract for booth space exhibiting It Works! products. The contract is between the Independent Distributor and the Event Sponsor. IWM is not, and may not be made, a party to a contract between you and an event organizer.
- c. You must also write on the contract, or in a cover letter you attach to the contract, that IWM has a one-booth-per-show policy and that, in making the show or event manager aware of our policy, you are asking in writing that the show not allow other IWM Independent Distributors to display or offer or arrange the sale of It Works! products.
- d. Company products and opportunity are the only products or opportunity that may be offered by Distributor at the trade show. Only Company- produced or approved marketing materials may be displayed or distributed.

### **3.8.1 - Double-Bookings Dispute Resolution**

In the event of a double-booking, the Independent Distributor with a valid/signed contract and proof of payment from the event company with the earliest date will be allowed to do the event if:

- a. The application has been filled out completely and accurately per IWM policies; and
- b. The second applicant was aware that there was an IWM booth already contracted and paid, but the second applicant signed up anyway.

Not all shows follow the same policies regarding multiple vendors from the same

company at their events. Some event managers will knowingly double-book because their policies do not limit the number of vendors from any one company. In the event there is a double-booking, and both parties filled out applications appropriately, made the event manager aware of Company policy to only have one vendor per show, and were unaware of the other Consultant, there are four options:

1. Both Distributors agree to do a separate booth at the same show.
2. Ask the event promoter to have the second contracted Distributor removed from the show. (This will only work if you have followed the procedure to inform the manager of IWM policy of only allowing one booth per show in writing, AND if they are willing to cooperate.)
3. Request that the event manager refund your money. (This will also only work if you have followed the procedure to inform the manager of our policy of only allowing one booth per show.)
4. Work with the other Distributor to come up with an equitable agreement to do the show together in a single booth and request a refund from the event manager for one of the booths. If a dispute arises between you and another Distributor regarding engagements at a temporary sales forum, it is your responsibility to first attempt to reach an equitable resolution with the other Distributor, and then involve your respective upline to resolve the issue. If the upline cannot reach a resolution, AND one or both of the Distributors involved are out of compliance with the IWM policies listed above, they should contact the It Works! Global Compliance Department to review the situation by emailing [Compliance@itworksglobal.com](mailto:Compliance@itworksglobal.com). At no time will IWM be liable for incurred expenses including, but not limited to, booth fees, travel, lodging, meals, etc.

### **3.9 - Conflicts of Interest**

#### **3.9.1 - Non-Solicitation**

IWM Distributors 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, Distributors may not directly or indirectly recruit other IWM Distributors or Customers for any other network marketing business.

Following the cancellation of a Distributor's Distributor Agreement, and for a period of six

calendar months thereafter, with the exception of a Distributor who was personally sponsored by the former Distributor, a former Distributor may not recruit any IWM Distributor or Customer for another network marketing business. Distributors and the Company recognize that because network marketing is conducted through networks of independent contractors dispersed across the entirety of North America and internationally, and business is commonly conducted via the internet and telephone, an effort to narrowly limit the geographic scope of this non-solicitation provision would render it wholly ineffective. Therefore, Distributors and IWM agree that this non-solicitation provision shall apply to all markets in which IWM conducts business.

The term 'Recruit' means the actual or attempted sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another IWM Distributor or Loyal Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. The conduct described in the preceding sentence constitutes recruiting even if the Distributor's actions are in response to an inquiry made by another Distributor or Loyal Customer.

### **3.9.2 - Distributor Participation in Other Direct Selling Programs**

If a Distributor is engaged in other non-IWM direct selling programs, it is the responsibility of the Distributor to ensure that his or her IWM business is operated entirely separate and apart from any other program in which the Distributor participates. To this end, the following must be adhered to:

- a) The Distributor shall not display IWM promotional materials, sales aids, products or services with or in the same location as any non-IWM promotional materials, sales aids, products or services.
- b) The Distributor may not offer the IWM opportunity, products or services to prospective or existing Customers or Distributors in conjunction with any non-IWM program, opportunity, product or service.
- c) The Distributor may not offer any non-IWM opportunity, products, services, or

opportunity at any IWM-related meeting, seminar or convention, or within two hours and a five mile radius of the IWM event. If the IWM meeting is held telephonically or via the internet, any non-IWM meeting must be at least two hours before or after the IWM meeting, and on a different conference telephone number or internet web address from the IWM meeting.

### **3.9.3 - Downline Activity (Genealogy) Reports**

Downline Activity Reports are available for Distributor access and viewing at the Company Back Office of each Distributor's replicated IWM website. Access to online Downline Activity Reports is password protected. **All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to IWM.** Downline Activity Reports are provided to Distributors in strictest confidence and are made available to Distributors for the sole purpose of assisting Distributors in working with their respective Marketing Organizations in the development of their IWM business. Distributors should use their Downline Activity Reports to assist, motivate, and train their downline Distributors. The Distributor and IWM agree that, but for this agreement of confidentiality and nondisclosure, IWM would not provide Downline Activity Reports to the Distributor. A Distributor shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- a) Directly or indirectly use or disclose any information contained in any Downline Activity Report or in the Back Office to any third party;
- b) Directly or indirectly disclose the password or other access code to his or her Back Office;
- c) Use the information contained in any Downline Activity Report or Back Office to compete with IWM or for any purpose other than promoting or supporting his or her IWM business; or
- d) Recruit or solicit any Distributor or Customer listed on any Downline Activity Report or in the Back Office, or in any manner attempt to influence or induce any Distributor or Customer to alter their

business relationship with IWM.

Upon demand by the Company, any current or former Distributor will return the original and all copies of Downline Activity Reports or other information to the Company.

### **3.10 - Targeting Other Direct Sellers**

IWM does not condone Distributors specifically or consciously targeting the sales force of another direct sales company to offer or arrange for sale of It Works! products or to become Distributors for IWM, nor does IWM condone Distributors' solicitation or enticement of members of the sales force of another direct sales company to violate the terms of their contract with such other company. Should Distributors engage in such activity, they bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration or mediation is brought against a Distributor alleging that he or she engaged in inappropriate recruiting activity of its sales force or customers, IWM will not pay any of Distributor's defense costs or legal fees, nor will IWM indemnify the Distributor for any judgment, award, or settlement.

### **3.11 - Cross-Sponsoring**

Actual or attempted cross-sponsoring is strictly prohibited. 'Cross-sponsoring' is defined as the enrollment of an individual or entity that already has a current Customer or Distributor Agreement on file with IWM, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship or leadership level sponsors. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, fictitious ID numbers or any straw-man or other artifice to circumvent this policy is prohibited. Distributors shall not demean, discredit or defame other IWM Distributors in an attempt to entice another Distributor to become part of the first Distributor's Marketing Organization. This policy shall not prohibit the transfer of an IWM business in accordance with Section 3.27.

If cross-sponsoring is discovered, it must be brought to the Company's attention immediately. IWM may take appropriate action against the Distributor that changed organizations and/or those Distributors who encouraged or participated in the cross-

sponsoring. IWM may also move all or part of the offending Distributor's Marketing Organization to his or her original Marketing Organization if the Company deems it equitable and feasible to do so. However, IWM is under no obligation to move the cross-sponsored Distributor's Marketing Organization and the ultimate disposition of the organization remains in the sole discretion of IWM. **Distributors waive all claims and causes of action against IWM arising from or relating to the disposition of the cross- sponsored Distributor's Marketing Organization.**

### **3.12 - Errors or Questions**

Distributors must notify the Company within 10 days following month end if they believe volume and/or rank is incorrect. After verifying rank and volume, If a Distributor believes any errors have been made regarding commissions or bonuses, the Distributor must notify IWM in writing within 60 days of the date of the purported error or incident in question. IWM will not be responsible for any errors, omissions or problems not reported to the Company after these dates.

### **3.13 - Governmental Approval or Endorsement**

Neither federal nor provincial regulatory agencies nor officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Distributors shall not represent or imply that IWM or its Compensation Plan have been 'approved,' 'endorsed' or otherwise sanctioned by any government agency.

### **3.14 - Holding Applications or Orders**

Distributors must not manipulate enrollments of new applicants and purchases of products. All Distributor Applications and Agreements and product orders must be sent to IWM within 72 hours from the time they are signed by a Distributor or placed by a Customer, respectively. Any changes in placement of volume must be completed within 24 hours of entry of product orders.

### **3.15 - Identification**

All Distributors are required to provide their Social Insurance Number or a Federal Business Number to IWM on the Distributor Application and Agreement. Upon enrollment, the Company will provide a unique Distributor Identification Number to the Distributor by

which he or she will be identified. This number will be used to place orders and track commissions and bonuses.

### **3.16 - Taxes and Withholding Obligations**

As an independent contractor, Distributors are generally responsible for the compliance with federal, provincial and local taxing legislation, as that legislation affects the Distributors' independent business.

For greater certainty in this regard:

*Income Taxes* - Distributors shall be responsible for payment and or withholding of all relevant federal, provincial and/or local income taxes, self-employment taxes and any and all other taxes required in respect of their business, or their purchases, under federal, provincial, or other applicable taxing laws. Distributors acknowledge that as independent contractors, they will be not be treated as employees for purposes of, but not limited to, federal and provincial income tax source withholding requirements, provincial employment standards rules, provincial workers' compensation deductions, EI and CPP deductions, and that the Company is not responsible for any withholdings, and shall not withhold or deduct from the Distributor's bonuses and commissions, if any, taxes of any kind. Rather, all Distributors shall be responsible for paying municipal, provincial, and federal taxes due from all compensation earned as an IWM Distributor, and for all other federal or provincial tax compliance obligations imposed on their business. Some exceptions may exist, and the Company reserves the right to issue any return slips and withhold any amounts required by law. As a self-employed professional, it is up to the Distributors to maintain complete records regarding their income and expenses. This will greatly assist Distributors when calculating their taxes every year. There are many tax benefits that can be available to self-employed individuals, and everyone should consult their own tax advisors concerning how the benefits may apply to each individual case. Visit the Canada Revenue Agency ("CRA") website (at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)) or call 1-800-959-8281 for more information.

The CRA requires the Company to send a T4A form to every Canadian Distributor who earns

CAD \$500 or more during the previous calendar year. By the last day of February of each year, the Company will issue each Distributor a T4A form for the previous calendar year.

As an IWM Distributor, you are an independent contractor to IWM, not an employee. Because of this distinction, the Distributor is self-employed for income tax purposes. Distributors will report their commission income on Form 2125, "Statement of Business or Professional Activities."

*Sales Taxes* - Distributors shall also not be treated as an employee for purposes of the GST/HST, QST, PST and other like sales taxes (including any future harmonized sales taxes). If the Company is required to charge any such taxes in respect of its supplies of goods or services to Distributors or to the Company's direct retail customers, the Company will collect and remit these taxes in respect of its sales as appropriate. However, the Company is not responsible for collecting or remitting any sales taxes on Distributors' behalf. Rather, all Distributors shall be responsible for collecting and remitting all applicable local, provincial, and federal sales taxes, and for all other federal or provincial tax compliance obligations imposed on their business, although, as set out below, the Company may at its discretion enter into sales tax collection agreements with the federal and provincial taxing authorities.

*Collection Agreements/Arrangements* - Notwithstanding the foregoing, the Company reserves the right to enter into sales tax collection agreements with the federal and provincial taxing authorities which could relieve Distributors of the burdens of collecting and remitting sales taxes (including GST/HST, QST and applicable PST). Where applicable, the Company will notify Distributors of the implementation of such agreements, and will charge and collect sales taxes accordingly.

Where the Company chooses to enter into a sales tax collection agreement Distributor agrees that the Company may jointly elect on Distributor's behalf to have the applicable procedures, including section 178 of the Excise Tax Act, apply where approval has been granted by the applicable tax authority.

Where the Company has been approved to operate under any such agreements, Distributors shall follow the appropriate procedures.

Note: The Company may permit Distributors to purchase It Works! products for resale. Distributors who buy It Works! products for resale purposes shall be responsible for their own business compliance with federal, provincial and/or municipal income tax and sales tax legislation.

### **3.17 - Independent Contractor Status**

The legal relationship between the Company and the independent Distributors is intended to be one of independent contractor, with the specifics of that legal relationship agreed to be as follows:

*Control* - Subject to the terms of the Distributor Agreement, and other applicable laws, Distributors shall have complete control and discretion over the operation of their independent businesses including, without limiting the nature of the foregoing, how much or how little time they may devote to their businesses, and shall be entitled to establish their own business goals, business hours, and business methods, policies and procedures.

*Ownership of Tools* – The Distributor shall be responsible for the ownership and acquisition of any business tools, equipment, assets, and expenses, and all business goods, services and intangibles that the Distributor, in his/her discretion, believes necessary for the operation of its independent business including, without limiting the generality of the foregoing, the location and appointment of his or her business office, business cards, letterhead, computer equipment, motor vehicle(s), and other tools and equipment (e.g., phone, office supplies etc.) which he/she alone deems necessary for operation of his/her business, all of which shall established and/or acquired by the Distributor at his/her own expense. The Distributor shall also maintain such insurance, such as liability, fire and theft insurance, during the term of this Distributor Agreement for the benefit of his/her business, in amounts as he/she deems appropriate, and at his/her own expense.

*Chance of Profit/Risk of Loss* – The Company and the Distributor agree that all expenses incurred by the Distributor in the operation of

his/her business shall be incurred on his/her own account, and be his/her own responsibility. The Company and the Distributor also agree that the terms of the Distributor's compensation under the Compensation Plan is entirely set out in the Compensation Plan, and accordingly, the chance of profit and the risk of loss inherent in the Compensation Plan, and inherent in the operation of the Distributor's independent business, rests entirely with the Distributor, with no "expense reimbursement" or "minimum compensation" being offered or guaranteed by the Company whatsoever.

*No Power to Bind* - While a Distributor shall be entitled to inform others that he/she is a Distributor engaged by the Company in an independent status, he/she shall at no time represent himself/herself to be an employee of the Company, and shall clarify with others, where necessary, his/her status as an independent contractor of the Company. The Distributor has no authority (expressed or implied), to bind the Company to any obligation, and shall not be construed as purchasers of a franchise or a business opportunity.

*No Creation of Employment, Agency, Partnership, Franchise or Joint Venture Relationship* - The legal relationship between the Company and its Distributors is not intended to create, and does not create, an employer/employee relationship, agency, partnership, franchise or joint venture relationship between the Company and the Distributor.

*Treatment as Independent Contractor for Tax and Other Purposes* - Accordingly, the Distributor will not be treated as an employee of the Company for Canadian provincial or federal tax purposes (including, but not limited to: federal income tax withholding or reporting requirements, federal unemployment insurance and CPP deductions, the GST/HST, and other like taxes, and provincial employment standards rules and workers' compensation legislation purposes).

The name of It Works! and other names as may be adopted by IWM are proprietary trade names, trademarks and service marks of IWM. As such, these marks are of great value to IWM

and are supplied to Distributors for their use only in an expressly authorized manner. Use of the It Works! name on any item not produced by the Company is prohibited, except as follows:

[Distributor's Name] Independent IWM  
Distributor

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

### **3.18 - Insurance**

You may wish to arrange insurance coverage for your business. 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 homeowner's policy. The Company maintains product liability insurance for all of its products. A copy of the Vendor Insurance Form can be found in your eSuite under the Forms section of the Documents tab. If the event you are attending requires a named insured, please complete the liability certificate of insurance request form that includes: date of event, all names to be insured, event holder name and address, and address where event is being held. Once completed a copy of the Vendor Insurance form will be emailed to the distributor that submitted the form. Please make sure to submit your request no later than 10 business days prior to your event.

### **3.19 - International Marketing**

Because of critical legal and tax considerations, IWM must limit the resale of It Works! products and services, and the presentation of the IWM business to prospective Customers and Distributors located within the United States, U.S. Territories, and those other countries that the Company has announced are officially opened for business. Moreover, allowing a few Distributors to conduct business

in markets not yet opened by IWM would violate the concept of affording every Distributor the equal opportunity to expand internationally.

Accordingly, Distributors are authorized to offer or arrange for sale of It Works! products and services and enroll Customers or Distributors only in the countries in which IWM is authorized to conduct business, as announced in official Company literature. It Works! products or sales aids cannot be shipped into or sold in any country IWM has not announced as being open for business. Distributors may offer or arrange for sale of, give, transfer, or distribute It Works! products or sales aids only in the country in which the Company is authorized to conduct business. In addition, no Distributor may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll potential Customers or Distributors; or (c) conduct any other activity for the purpose of offering or arranging for sale of It Works! products, establishing a Marketing Organization, or promoting the IWM opportunity unless and until authorized by Company. Anyone found enrolling a customer or distributor in an unopened country will receive a penalty of \$100 per enrollment with a minimum fine of \$1000; plus all commissions earned from a leg operating in an unopened country shall be subject to clawback and the illegally enrolled leg shall be cancelled. Therefore, any illegally enrolled customer or distributor will be terminated. For further information regarding Company international policies, see International Addendum to Policies and Procedures, infra.

### **3.20 - Inventory Loading Prohibited**

Distributors are not required to carry inventory of products or sales aids. Distributors must never purchase more products than they can reasonably use or offer or arrange sales to Retail Customers in a month and must not influence or attempt to influence any other Distributor to buy more products than they can reasonably use or offer or arrange sales to Retail Customers in a month. The Company follows the 70% industry standard whereby distributors may not order additional product unless they have sold or used for personal or family use at least 70 percent of previously purchased product. Although the primary function of the Company is to sell products to the general consuming public, the Company realizes that its

distributors may wish to purchase product for personal or family use in reasonable amounts. For this reason, the company defines a retail sale to include sales to non-participants, as well as purchases for personal or family use in reasonable amounts, which are not made solely for purposes of qualification or advancement.

### **3.21 - Adherence to Laws and Ordinances**

Distributors shall comply with all federal, provincial, and municipal laws and regulations in the conduct of their businesses. Many municipalities and provinces have laws regulating certain home-based businesses. In most cases, these ordinances are not applicable to Distributors because of the nature of their business. However, Distributors must obey those laws that do apply to them. If a municipal or provincial official tells a Distributor that an ordinance applies to him or her, the Distributor shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of IWM. In most cases, there are exceptions to the ordinance that may apply to IWM Distributors.

### **3.22 - Minors**

A person who is recognized as a minor in his/her province of residence may not be an IWM Distributor. Distributors shall not enroll or recruit minors into the IWM program.

### **3.23 - One IWM Business Per Distributor and Per Household**

A Distributor may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one IWM business. No individual may have, operate or receive compensation from more than one IWM business. Individuals of the same family unit may not enter into or have an interest in more than one IWM business. A 'family unit' is defined as spouses and dependent children living at or doing business at the same address. As an accommodation to Distributors, the Company allows 2 Distributor accounts per household as long as separate Social Insurance numbers are on file and the businesses are operated separately. Therefore, husbands and wives are allowed to have separate accounts, but one spouse must be enrolled directly beneath the other and cannot run business in separate legs. Existing Distributors with multiple accounts may

be grandfathered or asked to consolidate accounts at the sole discretion of Company.

### **3.24 - Actions of Household Members or Affiliated Individuals**

If any member of a Distributor's immediate household engages in any activity which, if performed by the Distributor, would violate any provision of the Agreement, such activity will be deemed a violation by the Distributor and IWM may take appropriate action pursuant to these Policies and Procedures against the Distributor. If a Distributor cancels his or her position for any reason, then no member of the immediate household may join the Company without waiting the required time period. If a Distributor is terminated, then no member of the immediate household may join the Company without written permission from IWM. 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 IWM may take appropriate action against the entity.

### **3.25 - Requests for Records**

Any request from a Distributor for copies of invoices, Applications, Downline Activity 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.

### **3.26 - Roll-up of Marketing Organization**

When a vacancy occurs in a Marketing Organization due to the termination of an IWM business, no Distributor moves up, but the volume will compress for commission purposes. See the Compensation Plan for further details.

### **3.27 - Sale, Transfer or Assignment of an IWM Business**

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

- a) Protection of the existing line of sponsorship must always be maintained so that the IWM business continues to be operated in that line of sponsorship.
- b) The buyer or transferee must become a

qualified IWM Distributor. If the buyer is an active IWM Distributor, he or she must first terminate his or her IWM business and wait three calendar months before acquiring any interest in a different IWM business.

- c) Before the sale, transfer or assignment can be finalized and approved by IWM, any debt obligations the selling Distributor has with IWM must be satisfied.
- d) The selling Distributor 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 an IWM business.
- e) The Company reserves the right to purchase the position at the same price as the purchaser.

Prior to selling an IWM business, the selling Distributor must notify the IWM Compliance Department of his or her intent to sell the IWM business. Upon complete execution of the Purchase and Sale Agreement, the parties must submit a copy to the Compliance Department for review. IWM reserves the right to request additional documentation that may be necessary to analyze the transaction between the buyer and seller. The Compliance Department will, in its sole and absolute discretion, approve or deny the sale, transfer or assignment within 30 days after its receipt of all necessary documents from the parties.

If the parties fail to obtain Company approval for the transaction, the transfer shall be voidable at the option of Company. The purchaser of the existing Company business will assume the obligations and position of the selling Distributor. A Distributor who sells his or her Company business shall not be eligible to re-apply as an IWM Distributor for a period of at least three full calendar months after the date of the sale.

There is a \$230 fee for the sale, transfer or assignment of an IWM business. No changes in line of sponsorship can result from the sale or transfer of an IWM business.

### **3.28 - Separation of an IWM Business**

IWM Distributors sometimes operate their IWM businesses as husband-wife partnerships, regular partnerships, 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 Distributors and the Company in a timely fashion, IWM will involuntarily terminate the Distributor Agreement.

During the divorce or entity dissolution process, the parties must adopt one of the following methods of operation:

- a) One of the parties may, with consent of the other(s), operate the IWM business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize IWM to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.
- b) The parties may continue to operate the IWM business jointly on a 'business-as-usual' basis, whereupon all compensation paid by IWM will be paid according to the status quo as it existed prior to the divorce filing or dissolution proceedings. This is the default procedure if the parties do not agree on the format set forth above.

Under no circumstances will the Marketing Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will IWM split commission and bonus payments between divorcing spouses or members of dissolving entities. IWM will recognize only one Marketing Organization and will issue only one commission payment per IWM business per commission cycle. Commission payments 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 in a timely fashion as determined by the Company, the Distributor Agreement shall be involuntarily canceled.

If a former spouse has completely relinquished all rights in the original IWM business pursuant to a divorce, he or she is thereafter free to enroll under any sponsor of his or her choosing without waiting three calendar months. In the case of business entity dissolutions, the former partner, shareholder, member, or other entity affiliate who retains no interest in the business must wait three calendar months from the date of the final dissolution before re-enrolling as a Distributor. In either case, the former spouse or business affiliate shall have no rights to any Distributors 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 Distributor.

### **3.29 - Sponsoring**

All active Distributors in good standing have the right to sponsor and enroll others into IWM. Each prospective Customer or Distributor has the ultimate right to choose his or her own Sponsor. If two Distributors claim to be the Sponsor of the same new Distributor or Customer, the Company shall regard the first Application received by the Company as controlling.

### **3.30 - Succession**

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

- a) Complete and execute a Distributor Agreement;
- b) Comply with terms and provisions of the Agreement; and
- c) Meet all of the qualifications for the deceased Distributor's status.

Bonus and commission payments of an IWM business transferred pursuant to this section

will be paid in a single payment jointly to the devisees. The devisees must provide IWM with an 'address of record' to which all bonus and commission cheques will be sent. If the business is bequeathed to joint devisees, they must form a business entity and acquire a Federal Business Number. IWM will issue all bonus and commission payments to the business entity.

### **3.31 - Transfer Upon Death of a Distributor**

To effectuate a testamentary transfer of an IWM business, the Personal Representative or Executor of the Estate of the deceased Distributor must provide all necessary documentation to establish a successor or successors' right to the subject IWM business. The successor or successors must complete and execute a Distributor Agreement and meet the other requirements set forth in this Section.

### **3.32 - Transfer Upon Incapacitation of a Distributor**

To effectuate a transfer of an IWM business because of incapacity, the Trustee of the incapacitated Distributor must provide all necessary documentation to establish the right of the subject Trust and Trustee to the subject IWM business. The Trustee must, on behalf of the Trust, complete and execute a Distributor Agreement and meet the other requirements set forth in Section 3.32.

### **3.33 - Telemarketing Techniques**

*Unsolicited Telephone Calls or Unsolicited Faxes* - Distributors are not authorized to make unsolicited telephone calls or send unsolicited faxes on the Company's behalf. If during the course of a Distributor's own business activities, the Distributor decides to make unsolicited business telephone calls or send unsolicited business faxes to persons with whom they have an Existing Business Relationship, they do so on their own account and agree to comply with all applicable rules and laws relating to same, including: (1) Canadian federal and provincial privacy laws, (2) registration with the National Do Not Call List program under the Telecommunications Act rules, (3) maintaining a Do Not Call List so that their business contacts may request not to be called, and (4) disclosing the following information at the beginning of any the call or fax: purpose of the call or fax, a toll-free telephone number for questions or comments about the call or fax, the nature of

the product or business interest being promoted, the identity of the person or organization on whose behalf the call is made, if any, the price of any product being promoted and any material restrictions, terms or conditions applicable to its delivery.

For purposes of this section, an Existing Business Relationship shall arise only in the following instances: (1) a product or service has been purchased by the person from the Distributor within the previous 18 months, (2) an inquiry or application has been made by the person of the Distributor within the previous 6 months, or (3) there is a written contract currently in effect between the person and the Distributor or that has expired within the previous 18 months.

Distributors who breach this section may have their Agreement with the Company terminated, without notice.

### **3.34 - Back Office Access**

IWM makes online Back Offices available to its Distributors. Back Offices provide Distributors access to confidential and proprietary information that may be used solely and exclusively to promote the development of a Distributor's IWM business and to increase sales of It Works! products. However, access to a Back Office is a privilege, and not a right. IWM reserves the right to deny Distributors' access to the Back Office at its sole discretion.

## **SECTION 4 - RESPONSIBILITIES OF DISTRIBUTORS**

### **4.1 - Change of Contact Information**

To ensure timely delivery of products, support materials, and commission payments, it is critically important that the IWM files are current. Street addresses are required for shipping. Distributors planning to move should update their mailing address, email address and telephone number information via the Back Office function of the Distributor's replicated IWM website. To guarantee proper delivery, two weeks advance notice must be provided to IWM on all changes.

### **4.2 - Continuing Development Obligations**

#### **4.2.1 - Ongoing Training**

Any Distributor who sponsors another Distributor into IWM are encouraged to perform a bona fide assistance and training function to ensure that his or her Marketing Organization is

properly operating his or her IWM business. Distributors are recommended to have ongoing contact and communication with the Distributors in their Marketing 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 Distributors to IWM meetings, training sessions, and other functions. Upline Distributors are also encouraged to motivate and train new Distributors in IWM product knowledge, effective sales techniques, the IWM Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Distributors must not, however, violate Section 3.2 (regarding the development of Distributor-produced sales aids and promotional materials). Any Distributor hosting organizational training calls must do so at times that does not conflict with Company corporate training or informational calls. These corporate calls are presented to allow Distributors to gain information and knowledge about the Company, the products, sales tips, Policies and Procedures and business building and are integral to the development and success of the Distributor's business.

Distributors should monitor the Distributors in their Marketing Organizations to guard against downline Distributors making improper product or business claims or engaging in any illegal or inappropriate conduct.

#### **4.2.2 - Sharing of Experience**

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

#### **4.2.3 - Ongoing Sales Responsibilities**

Regardless of their level of achievement, Distributors have an ongoing obligation to continue to promote sales through the generation of new customers and through servicing their existing customers.

#### **4.2.4 - Residual Income**

Nothing contained in Section 4.2, 4.2.1, 4.2.2

or 4.2.3 is intended to limit or prohibit a Distributor from receiving his or her organizational residual income as long as compensation plan requirements are met.

#### **4.3 - Non-Disparagement**

The Company wants to provide customers and Distributors with the best products, Distributors with the best compensation plan, and service in the industry. Accordingly, we value constructive criticisms and comments. All such comments should be submitted in writing to the Compliance Department. While the Company welcomes constructive input, negative comments and remarks made in the field by Distributors about the Company, its products, the Compensation Plan or other Distributors serve no purpose other than to sour the enthusiasm of other Company Distributors. For this reason, and to set the proper example for their Marketing Organization, Distributors must not disparage, demean, or make negative remarks about Company, other Company Distributors, Company products, the Compensation Plan, or Company directors, officers, or employees.

#### **4.4 - Providing Documentation to Applicants**

Distributors must describe the location of the most current version of the Policies and Procedures and the Compensation Plan to individuals whom they are sponsoring to become Distributors before the applicant signs a Distributor Agreement. If the individual requests a hard copy, Distributors must provide a copy of the requested material.

#### **4.5 - Reporting Policy Violations**

Distributors observing a Policy violation by another Distributor should submit a written report of the violation directly to the attention of the Company Compliance Department. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

#### **4.6 - Vendor Confidentiality/Communications**

IWM's business relationships with its marketing alliances, vendors, suppliers, Company associates or former employees within or outside the corporate workplace are confidential, proprietary, and not to be circumvented by either the Distributor or the vendor. A Distributor shall not contact, directly

or indirectly, or speak to or communicate with any representative of any supplier or manufacturer of Company except at a Company-sponsored event at which the representative is present at the request of Company or as otherwise expressly permitted in writing by Company. Violation of this regulation may result in termination of the Distributor and possible claims of damages against the Distributor and/or the vendor. Questions regarding any of these business relationships should be directed to the Compliance Department.

### **SECTION 5 - SALES REQUIREMENTS**

#### **5.1 - Product Sales**

The IWM Compensation Plan is based on the sale of Company products and services to end consumers. Distributors must fulfill 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 Distributors to be eligible for commissions:

- a) Distributors must satisfy the Personal Sales Volume and Group Sales Volume requirements to fulfill the requirements associated with their rank as specified in the IWM Compensation Plan. Personal Sales Volume includes purchases made by the Distributor and purchases made by the Distributor's personal Customers. Group Sales Volume shall include the total Sales Volume of all Distributors in his or her Marketing Organization, including the Distributor's Personal Sales Volume.
- b) It is recommended that at least 70% of a Distributor's total monthly Personal Sales volume be sold to personal customers.
- c) Distributors should develop or service at least four new or existing Customers every month.

No compensation is ever paid to Distributors based upon sponsoring or recruiting Distributors without product sales.

#### **5.2 - No Territory Restrictions**

There are no exclusive territories granted to

anyone. No franchise fees are required.

### **5.3 - Sales Receipts**

#### **5.3.1. Direct Sales – Sales Order Form**

All Distributors making person-to-person sales to customers (including any sales subject to provincial direct selling requirements) shall ensure that the customer is provided with the then current copy of the Company Sales Order Form, properly completed, and signed by both the Distributor and the customer. The Sales Order Form sets out, among other things, the Buyer's Cancellation Right afforded to the customer under provincial law. Distributors must ensure that all information fields in the Sales Order Form are completed, including the following: (1) the date of the transaction; (2) name and address of the selling Distributor; and (3) the signatures of the selling Distributor and the customer, and the location where the Form was signed. In addition, the Distributor shall orally inform the customer of his or her cancellation rights. Distributors are required to keep a copy of each Sales Order Form for their own records, and shall be required to retain same for a period of at least seven (7) years.

#### **5.3.2 Direct Sales – Internet Fulfilment (Electronic Receipt)**

Where a customer places an order through a Distributor's replicated Web site, the customer will be required to positively accept the sales contract during the order process, and will thereafter be provided with an Electronic Receipt providing printable evidence of the sales contract, and otherwise providing disclosure as required by provincial law. Distributors will be provided with a copy of each Electronic Receipt for their own records, and shall be required to retain same for a period of at least seven (7) years.

### **5.4 - Product Repackaging, Rebranding and Sampling Prohibited**

The Company's products may not be rebranded, resold or repackaged in any way. All products must be sold and displayed using Company trademarks. For example, the Ultimate Applicator may not be sold or marketed by any other name. No Distributor shall in any way alter, change or remove the label, packaging or instructions intended by the Company to accompany any product. No sampling programs are allowed other than

through Company-approved packaging. Providing the Company products at parties for testing purposes is exempt from this prohibition.

### **5.5 - Product Source**

All products shall be purchased exclusively from the Company. A Distributor is prohibited from reselling products that have been purchased from another Distributor.

## **SECTION 6 - BONUSES AND COMMISSIONS**

### **6.1 - Bonus and Commission Qualifications**

Distributor must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as a Distributor complies with the terms of the Agreement, IWM shall pay commissions to such Distributor in accordance with the Compensation Plan in Canadian dollars. To be commission qualified on a monthly basis, a Distributor must have either 150 PBV or an 80 BV Auto-shipment set to run no later than the 25<sup>th</sup> of the month; alternatively, a Distributor can be commission qualified by purchasing a Business Builder Kit during the month. The minimum amount for which IWM will issue a payment is \$23. If a Distributor's bonuses and commissions do not equal or exceed \$23, the Company will accrue the commissions and bonuses, after any applicable deductions, until they total \$23. A payment will be issued once \$23 USD has been accrued.

#### **6.1.1 - Deadlines for Qualifications**

Online Orders: 11:59 pm ET (-5GMT) on the final day of the month

Faxed Orders: 1 pm ET (-5GMT) on the final business day of the month

Phone Orders: 5 pm ET (-5GMT) on the final business day of the month

The Company is not responsible for orders placed after published deadlines and will not alter order data to accommodate Distributors who do not meet the deadlines or make mistakes on their orders. We encourage Distributors to qualify early and to have eSuite so they can track their business. It is the Distributor's responsibility to make sure they are qualified. Corrections to mistakes must be made before the end of the month.

Accounts that are in Hold status at the time of the commission processing will be sent with the next commission run following the release of

the Hold status.

### **6.1.2 - Commission Payments**

All commissions and bonuses except for Weekly Fast Start bonuses are paid monthly by the 15<sup>th</sup> day of the following month by 5 pm ET (-5 GMT). Weekly Fast Start bonuses are paid based upon a Saturday to Friday weekly period with payment on the following Friday by 5 pm ET (-5GMT). No commission payments will be paid to Distributors whose distributorships have expired prior to the end of the commission period and not renewed during the commission period. Further, no commissions will be paid to Distributors who cancel or terminate their Distributor Agreement with the Company.

## **6.2 - Adjustment to Bonuses and Commissions**

### **6.2.1 - Adjustments for Returned Products and Cancelled Services**

Distributors receive bonuses and commissions based on the actual sales of products and services to end consumers. When a product is returned to IWM for a refund or repurchase, or a service is cancelled and the Customer is entitled to a refund, either of the following may occur at the Company's discretion: (1) the bonuses and commissions attributable to the returned or repurchased product or the refunded service will be deducted, in the month in which the refund is given and continuing every pay period thereafter until the bonuses and commissions are recovered, from the Distributors who received bonuses and commissions on the sales of the refunded product or cancelled service; or (2) the Distributors who earned commissions or bonuses based on the sale of the returned product or cancelled service will have the corresponding points deducted from their Group Volume in the next month and all subsequent months until such points are completely recovered.

### **6.2.2 - Other Deductions**

IWM will deduct from all bonus and commission payments issued to a Distributor a data processing fee of \$1. There is a \$6 fee to recover commission and re-send via an alternative payment method. All paper cheques requested upon cancellation of distributor position, will incur a \$6 fee. Upon notice of cancellation from a Distributor, after sixty (60) days without any notification to the

Company regarding a final payout for any outstanding commissions or bonuses, the Company will begin to assess a monthly \$6 service fee.

### **6.3 - Reports**

All information provided by IWM in online or telephonic Downline Activity 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, but not limited to, the inherent possibility of human and mechanical error; the accuracy, completeness, and timeliness of orders; denial of credit card and electronic cheque payments; returned products; credit card and electronic cheque chargebacks; the information is not guaranteed by IWM 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, THE COMPANY 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 THE COMPANY 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, THE COMPANY 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 the Company's 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 the Company's online and telephone reporting services and your reliance upon the information.

### **6.4 - Loyal Customer Rules**

- a. Loyal Customers in the same household as any Distributor will not count toward bonus qualifications, rewards programs, or Distributor rebate programs. Distributors may not enroll a Loyal Customer from their own household under themselves or any other Distributor to be used for bonus qualifications, reward programs, and Distributor rebate programs.
- b. Multiple Loyal Customers per household (outside the Distributor's own household) may be enrolled, but only one per household may count toward bonus qualifications, rewards programs, and Distributor rebate programs.
- c. Product must be shipped to the Loyal Customer's address.
- d. The Loyal Customer must fulfill the three month minimum obligation or pay the \$55 Membership fee or any bonuses paid out to Distributors will be recovered.
- e. Loyal Customers can purchase product for personal use only and cannot resell the product for any reason. Only Distributors are authorized to offer and arrange for sale of product. Customers found to be selling product will immediately have their rights to buy product terminated.
- f. Distributors are responsible for obtaining signed documentation when enrolling new Loyal Customers. If a Loyal Customer disputes the Loyal Customer Agreement and wishes to cancel prior to fulfilling the three month commitment, the enroller of that Customer will be responsible for paying the early termination fee or fulfilling the remaining orders if they do not have signed documentation. Verbal agreements are not sufficient. If a Loyal Customer enrolls online they will be held responsible for any fees. However, if the

Distributor of the Loyal Customer enrolls them online and does not have signed documentation, the Distributor will be held liable for those fees.

- g. If a Distributor places a Loyal Customer with another Distributor, the Distributor receiving the Loyal Customer shall be considered the Enroller for all Compensation Plan purposes.
- h. A Loyal Customer may not be a Distributor at the same time. If a Loyal Customer becomes a Distributor, then he/she is no longer considered a Loyal Customer.
- i. If a Loyal Customer wishes to upgrade to a Distributor and has completed the Loyal Customer Agreement or the Loyal Customer has paid the \$55 Membership fee, then the Loyal Customer is free to enroll as a Distributor under whomever he or she chooses. If a Loyal Customer wishes to upgrade to a distributor and has NOT completed the Loyal Customer Agreement and they want the Membership fee to be waived, the Loyal Customer must enroll under the same Distributor their Loyal Customer account is under.

## **SECTION 7 - PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE**

### **7.1 - Product Guarantee**

Since our products produce different results for different people, we do not guarantee specific results or offer a money-back guarantee. The Ultimate Body Applicators and Facial Applicators are cosmetic products and cannot be returned once the plastic wrapper is opened. To receive a refund, all products must be returned within 30 days of purchase in resalable, unopened, 'new' condition.

### **7.2 - Returns by Retail Customers**

A retail customer who makes a purchase of \$30 or more has ten days after the sale or execution of a contract to cancel the order and receive a full refund consistent with the cancellation notice on the order form. When a Distributor makes a sale or takes an order from a Retail Customer who cancels or requests a refund within the 10 day period, the Distributor must promptly refund the Customer's money as long as the products are returned to the Distributor in substantially as good condition as when received. Additionally, Distributors must orally inform Retail Customers of their right to rescind a purchase or an order within 10 days,

and ensure that the date of the order or purchase is entered on the order form. All Retail Customers must be provided with two copies of an official IWM sales receipt at the time of the sale. The back of the receipt provides the Retail Customer with written notice of his or her rights to cancel the sales agreement.

### **7.3 - Buy-Back Guarantee for Purchases Made by Distributors**

To ensure full compliance with Section 55.1, and to otherwise ensure that Distributors are not encumbered with excess inventory that they are unable to sell, and as disclosed to you in the Distributor Application, Distributors may return such inventory to COMPANY as follows.

Physical Items Held in Starter Kits or Inventory - All Distributors may return any physical products held in his or her Starter Kits, or in inventory, for a refund at any time and for any reason, (i) provided such return is made within THIRTY DAYS of original purchase, (ii) the returned physical product is in Resalable condition (as defined below). Upon receipt of a returned and Resalable physical product, the Distributor shall be reimbursed 100% of the amount paid for the same, less a 10% re-stocking fee. Shipping charges incurred by a Distributor on the original purchase of the physical item will not be refunded, and the Distributor shall bear all shipping charges necessary to return the physical products for refund to the Company.

Services Acquired - All Distributors may cancel any services contracts or arrangements acquired from the Company for a refund at any time and for any reason, (i) provided written notice (the "Cancellation Notice") is provided to the Company of the same, specifying the specific service(s) subject to cancellation (the "Cancelled Service(s)"). Where the Cancellation Notice is provided to the Company prior to the 15th day of the calendar month, the Distributor shall be reimbursed 100% of the amount paid for the applicable Cancelled Service(s) for that particular month, and no further payments shall be required of the Distributor for the Cancelled Service(s). Where Cancellation Notice is provided to the Company on or after the 15th day of the calendar month, but prior to the start of a new calendar month, the Distributor shall be reimbursed 50% of the amount paid for the applicable Cancelled Service(s) for that

particular month, and no further payments shall be required of the Distributor for the Cancelled Service(s), such reduced refund amount being commercially reflective of the Distributor's consumption and use of the Cancelled Service(s) during the first half of the applicable month. In no circumstances shall a Distributor be refunded for amounts paid in respect of Cancelled Service(s) in any month PRIOR TO the calendar month in which the Cancellation Notice is delivered, such policy being commercially reflective of the Distributor's consumption and use of the Cancelled Service(s) during those prior calendar months.

Original purchases made through a credit card will be refunded by crediting the refund amount back to the same credit card. Where a Distributor was paid a commission, bonus, or other incentive based on the purchase and resale or a returned product or cancelled service, and such product is subsequently returned or cancelled under this provision, all commissions, bonuses, and other remuneration paid to the Distributor shall be set off against the applicable refund amount.

### **7.4 - Procedures for All Returns**

The following procedures apply to all returns for refund, repurchase, or exchange:

- a) All merchandise must be returned by the Distributor or Customer who purchased it directly from IWM.
- b) All products to be returned must have a Return Authorization Number which is obtained by calling the Customer Services Department. This Return Authorization Number must be written on each carton returned.
- c) The return is accompanied by:
  - i. a completed and signed Product Return Form;
  - ii. a copy of the original dated retail sales receipt; and
  - iii. the unused portion of the order in its original container.
- d) Proper shipping carton(s) and packing materials are to be used in packaging the product(s) being returned for replacement, and the best and most economical means of shipping is suggested. All returns must be shipped to IWM, shipping pre-paid. IWM does not accept shipping-collect packages.

The risk of loss in shipping for returned product shall be on the Distributor or Customer. If returned product is not received by the Company's Distribution Center, it is the responsibility of the Distributor or Customer to trace the shipment.

- e) If a Distributor is returning merchandise to IWM that was returned to him or her by a personal Retail Customer, the product must be received by IWM within ten days from the date on which the Retail Customer returned the merchandise to the Distributor, and must be accompanied by the sales receipt the Distributor gave to the Retail Customer at the time of the sale.

No refund or replacement of product will be made if the conditions of these rules are not met.

## **SECTION 8 - DISPUTE RESOLUTION AND CONTRACTUAL REMEDIES**

### **8.1 - Contractual Remedies**

Violation of the Agreement, these Policies and Procedures, violation of any common law duty, including, but not limited to, any applicable duty of loyalty, any illegal, fraudulent, deceptive or unethical business conduct, or any act or omission by a Distributor that, in the sole discretion of the Company may damage its reputation or goodwill (such act or omission need not be related to the Distributor's IWM business), may result, at the Company discretion, in one or more of the following corrective measures:

- a) Issuance of a written warning or admonition;
- b) Requiring the Distributor to take immediate corrective measures;
- c) Seeking a liquidated damages amount from the Distributor in an amount to be determined by Company, which may be withheld from bonus and commission payments;
- d) Loss of rights to one or more bonus and commission payments;
- e) Company may withhold from a Distributor all or part of the Distributor's bonuses and commissions during the period that Company is investigating any conduct allegedly in violation of the

Agreement. If a Distributor's business is canceled for violating the terms of the Distributor's Agreement, the Distributor will not be entitled to recover any commissions withheld during the investigation period;

- f) Suspension of the individual's Distributor Agreement for one or more pay periods;
- g) Transfer of a portion or all of the Distributor's marketing organization or downline;
- h) Involuntary termination of the offender's Distributor Agreement;
- i) Any other measure expressly allowed within any provision of the Agreement or which IWM deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Distributor's policy violation or contractual breach; or
- j) In situations deemed appropriate by Company, the Company may institute legal proceedings for monetary and/or equitable relief.

### **8.2 - Dispute and Complaints**

When a Distributor has a grievance or complaint with another Distributor regarding any practice or conduct in relationship to their respective IWM businesses, the complaining Distributor 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 involves interpretation or violation of Company policy, it must be reported in writing to the Compliance Department at the Company. The Compliance Department will review the facts and attempt to resolve it. If it is not resolved, it will be referred to the Dispute Resolution Board for final review and determination.

### **8.3 - Dispute Resolution Board**

The purpose of the Dispute Resolution Board ('DRB') is to: (1) review appeals of contractual remedies sought by the Company; and (2) review matters between the Company and Distributors. After the response or settlement instituted by the Compliance Department has been denied or otherwise remains unresolved, the Dispute Resolution Board reviews evidence, deliberates, and responds to current

outstanding issues on a collective basis. The Company shall name the Dispute Resolution Board and membership shall consist of at least 3 members with at least one disinterested Company Distributor.

A Distributor may submit a written request for a telephonic or in-person hearing within seven business days from the date of the written decision of the Compliance Department regarding disputes between Distributors. All communication with Company and the Distributor(s) seeking resolution of a dispute must be in writing. It is within the DRB's discretion whether a claim is accepted for review. If the DRB agrees to review the matter, it shall schedule a hearing within 30 days of receipt of the Distributor's written request. All evidence (e.g., documents, exhibits, etc.) that a Distributor desires to have considered by the DRB must be submitted to Company no later than seven business days before the date of the hearing. The Distributor shall bear all of the expenses related to his or her attendance and the attendance of any witnesses he or she desires to be present at the hearing. The decision of the DRB will be final and subject to no further review, except as provided in Sections 8.4 and 8.5 below. During the pendency of the claim before the DRB, the Distributor waives his or her right to pursue arbitration or any other remedy.

Following the Company's decision of imposing a corrective measure, the Distributor may appeal the decision to the DRB. Distributor's appeal must be in writing and received by the Company within 15 days from the date of Company's notice of imposing a corrective measure. If the appeal is not received by Company within the 15 day period, the Company's decision will be final. The Distributor must submit all supporting documentation with his or her appeal correspondence. If the Distributor files a timely appeal of a corrective measure, the DRB will review and reconsider the corrective measure, consider any other appropriate action, and notify the Distributor in writing of its decision.

#### **8.4 - Mediation**

Prior to instituting any arbitration as provided in Section 8.5 below, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement

through non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as mediator. The mediator's fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally between the parties. Each party shall pay its portion of the anticipated fees and costs at least 10 days in advance of the mediation. Each party shall pay its own legal fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in Sarasota or Manatee County, Florida, and shall last no more than two business days.

#### **8.5 - Arbitration**

**If mediation is unsuccessful, 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 by any court. All arbitration proceedings shall be held in the City of Bradenton, Florida, unless the laws of the state in which a Distributor resides expressly require the application of its laws, in which case the arbitration shall be held in the capitol of that state. All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure. 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 which the American Arbitration Association 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 IWM 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 IWM' 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.

#### **8.6 - Governing Law, Jurisdiction and Venue**

Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in the province of Ontario. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of Florida shall govern all other matters relating to or arising from the Agreement.

To the extent the Distributor resides in the province of Alberta, the laws of the province of Alberta apply with such changes to the foregoing provision as required

### **SECTION 9 - PAYMENT AND SHIPPING**

#### **9.1 - Returned Cheques**

All cheques returned by a Distributor's bank for insufficient funds will be resubmitted for payment. A \$30 returned cheque fee will be charged to the account of the Distributor. After receiving a returned cheque from a Customer or a Distributor, ***all future orders must be paid by credit card, money order or cashier's cheque. Any outstanding balance owed to IWM by a Distributor for NSF cheques and returned cheque fees will be withheld from subsequent bonus and commission cheques.***

#### **9.2 - Chargebacks**

Any Distributor or Customer who issues a chargeback will be immediately terminated. Distributors must work out returns with Customer Service according to the Company return policy. A \$55 fee will be issued to any Distributor who issues a chargeback.

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

A Distributor shall not permit other Distributors or Customers to use his or her credit card, or permit debits to his or her checking accounts, to enroll or to make purchases from the Company. Distributors or customers are not permitted to use a card to enroll themselves or make purchases from the Company that does not belong to them.

### **SECTION 10 - INACTIVITY, RECLASSIFICATION, & CANCELLATION**

#### **10.1 - Effect of Cancellation**

So long as a Distributor remains active and complies with the terms of the Distributor Agreement and these Policies and Procedures, IWM shall pay commissions to such Distributor in accordance with the Compensation Plan. A Distributor's bonuses and commissions constitute the entire consideration for the Distributor's efforts in generating sales and all activities related to generating sales (including building a Marketing Organization). Following a Distributor's non-renewal of his or her Distributor Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Distributor Agreement (all of these methods are collectively referred to as 'cancellation'), the former Distributor 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 Distributor whose business is cancelled will lose all rights as a Distributor. This includes the right to offer or arrange the sale of It Works! products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Distributor's former Marketing Organization. In the event of cancellation, Distributors agree to waive all rights they may have, including, but not limited to, property rights to their former Marketing Organization and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former Marketing Organization.**

Following a Distributor's cancellation of his or her Distributor Agreement, the former Distributor shall not hold himself or herself out as an IWM Distributor and shall not have the right to offer or arrange the sale of It Works! products or services. A Distributor whose Distributor 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 and resulting contract remedies preceding an involuntary cancellation).

## **10.2 - Involuntary Cancellation**

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

The Company reserves the right to terminate all Distributor Agreements upon thirty (30) days written notice in the event that it elects to: (1) cease business operations; (2) dissolve as a corporate entity; or (3) terminate distribution of its products via direct selling.

## **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 Distributor's signature, printed name, address, and Distributor I.D. Number. If a Distributor is on the Auto-shipment program, the Distributor's Auto-shipment Agreement shall continue in force and the former Distributor shall be reclassified as a Loyal Customer, unless the Distributor also specifically requests that his or her Auto-shipment Agreement also be canceled. Any commission balance earned under \$23 that has not yet been paid may be requested in cheque form.

## **10.4 - Non-Renewal**

A Distributor may also voluntarily cancel his or her Distributor Agreement by failing to renew the Agreement on its anniversary date. Any commission balance earned under \$23 that has not yet been paid may be requested in cheque form.

## **10.5 - Privacy Policy & Consent**

You understand and agree that certain personal information relating to you and your business will be collected, used and retained by the Company in accordance with the Company's Privacy Policy, as amended from time to time and otherwise in accordance with Canadian federal and provincial privacy laws,

and you hereby consent to same. The Company reserves the right to amend or revise the terms of its Privacy Policy without express notice to you, and you consent to any amendments reasonably made. In operating your independent business, you also agree to adopt, implement and disseminate a privacy policy that complies with all Canadian federal and provincial privacy laws that your business may be subject to, for which you are solely responsible, and such compliance shall be undertaken at your sole expense. You acknowledge that failure to comply with these terms may result in immediate termination of your Distributor Agreement. Without limiting your sole responsibility to comply with federal and provincial privacy laws affecting your business, the Company hereby grants you, at no additional charge, for the term of your Distributor Agreement, the right to copy and use in your business the Company Privacy Policy and related privacy policy consents.

## **SECTION 11 - DEFINITIONS**

**Active Customer** — A Customer who purchases It Works! products and whose account has been paid for the ensuing year.

**Active Distributor** — A Distributor who satisfies the minimum Personal Sales Volume requirements, as set forth in the IWM Marketing and Compensation Plan, to ensure that he or she is eligible to receive bonuses and commissions for a particular month.

**Active Rank** — The term 'active rank' refers to the current paid title of a Distributor, as determined by the Company Compensation Plan, for any month. To be considered 'active' relative to a particular rank, a Distributor must meet the criteria set forth in the IWM Compensation Plan for his or her respective rank. *(See the definition of 'Rank' below.)*

**Agreement** — The contract between the Company and each Distributor includes the Distributor Application and Agreement, the IWM Policies and Procedures, and the IWM Compensation Plan, all in their current form and as amended by IWM in its sole discretion. These documents are collectively referred to as the 'Agreement.'

**Basic Enrollment Kit** — A selection of IWM

training materials and business support literature that each new Distributor is required to purchase. The Basic Kit is sold to Distributors at the Company's cost price, currently \$40, and is sold solely for the purposes of facilitating sales of products. No product purchase is otherwise required.

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

Customer — An individual who registers with IWM as a Retail Customer or Loyal Customer pursuant to the IWM Customer Program.

Downline Activity Report — A monthly online report generated by IWM that provides critical data relating to the identities of Distributors, sales information, and enrollment activity of each Distributor's Marketing Organization. This report contains confidential and trade secret information which is proprietary to IWM.

Downline Leg — Each one of the individuals enrolled immediately underneath you and their respective Marketing Organizations represents one 'leg' in your Marketing Organization.

Enroller— A Distributor who influences, solicits, or otherwise assists a new Distributor or Customer to join IWM, and is listed as the Enroller on the Distributor or Customer Application and Agreement. An Enroller is the Sponsor of a new Distributor and the terms Enroller and Sponsor can be used interchangeably for purposes of these Policies and Procedures.

Group Sales Volume — The commissionable value of It Works! products or services sold by a Distributor's Marketing Organization. Group Sales Volume includes the Personal Sales Volume of the subject Distributor. (starter Kits and sales aids have no Sales Volume.) Also called Group Bonus Volume (GBV) in the Company Compensation Plan.

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

Level — The layers of downline Customers and Distributors in a particular Distributor's Marketing Organization. This term refers to the relationship of a Distributor relative to a particular upline

Distributor, determined by the number of Distributors between them who are related by sponsorship. For example, if A sponsors B, who sponsors C, who sponsors D, who sponsors E, then E is on A's fourth level.

Loyal Customer— A Customer who receives preferential wholesale pricing by committing to an Auto-shipment order for a minimum of three months.

Marketing Organization — The Customers and Distributors sponsored below a particular Distributor.

Official IWM Material — Literature, audio or videotapes, and other materials developed, printed, published and distributed by IWM to Distributors.

Personal Production — Moving It Works! products or services to an end consumer for personal use.

Personal Sales Volume (PSV) — The commissionable value or volume of services and products sold in a calendar month: (1) sales made by the Distributor; and (2) purchases by Distributor's personally enrolled Customers. Also called Personal Bonus Volume (PBV) in the Company Compensation Plan.

Rank — The 'title' that a Distributor has achieved pursuant to the IWM Compensation Plan.

Recruit — For purposes of the Company Conflict of Interest Policy (Section 3.9), the term 'recruit' means the actual or attempted sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another IWM Distributor or Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity.

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) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; 4) they are returned to IWM within 60 days for starter Kits and 30 days

for product from the date of purchase; and 5) the product contains current IWM labeling. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be Resalable.

Retail Customer — An individual who purchases It Works! products at the retail price from a Distributor but who is not a participant in the IWM Compensation Plan.

Retail Sales — Sales to a Retail Customer.

Sponsor — A Distributor who enrolls a Customer or another Distributor into the Company, and is listed as the Sponsor on the Distributor Application and Agreement. The act of enrolling others and training them to become

Distributors is called 'sponsoring.' For purposes of these Policies and Procedures, Sponsors and Enrollers are the same.

Starter Kit — A generic term used when a distributor first joins the Company and makes an initial purchase that includes product and/or business support materials and literature, which (1) is sold to a distributor for the purpose only of facilitating sales, and which (2) is sold at the Company's cost price.

Upline — This term refers to the Distributor or Distributors above a particular Distributor in a sponsorship line up to the Company. Conversely stated, it is the line of sponsors that links any particular Distributor to the Company.

## SOCIAL MEDIA AND INTERNET ADDENDUM TO POLICIES AND PROCEDURES

### A. 1 **General (applying to both online and offline marketing and promotion)**

It is your responsibility to safeguard and promote the good reputation of the It Works! brand; to ensure that your marketing efforts contribute to the public interest; and to avoid discourteous, deceptive, misleading, unethical or immoral conduct or practices.

### A. 2 **It Works! Independent Distributor Logo / Identity**

If you use an It Works! logo in any communication, you must use the Independent Distributor version of the logo. Using any other It Works logo requires written approval. Please see examples below:

Logo(s) Approved for Independent Distributor Use



Logos **NOT** Approved for Independent Distributor Use



### A. 3 **Trademarks and Copyrights**

You may not use It Works!®, USA, trade names, trademarks, designs, images or symbols without prior written permission, except as outlined in this Add. 3. Video or audio recordings of company events, training and/or speeches are also copyrighted and may not be distributed without written permission.

The name It Works!®, USA, is a trademark of It Works Marketing, Inc., Palmetto, FL USA and is of great value to the Company, and is supplied to you for your use only in an authorized manner. Use of the It Works! name on any item not produced or authorized by the Company is prohibited.

As a Distributor you may use the It Works name in the following manner:

Distributor's Name

Independent Distributor, It Works!

or: It Works! ® Independent Distributor

*Example:*

Sarah Jones

Independent Distributor, It Works!

#### **A. 4 Domain Names, e-mail Addresses and Online Aliases**

You are not allowed to use or register It Works! or any It Works! trademarks, product names, or any derivatives, for any Internet domain name, e-mail address, social networking profiles, or online aliases. Additionally, you cannot use or register domain names, e-mail addresses, and/or online aliases that could cause confusion, or be misleading or deceptive in that they cause individuals to believe or assume the communication is from, or is the property of, IWM. Examples of the improper use of It Works! are: *It Worksgal@msn.com*; *www.ItWorksisgreat.com*; *facebook.com/ItWorksfan*; or It Works! showing up as the sender of an email. If you register any domain or email name that relates to the Company or a Company product, you agree to transfer the name to the Company at your cost of acquisition.

#### **A. 5 Use of Third Party Intellectual Property**

If you use the trademarks, trade names, service marks, copyrights, or intellectual property of any third party in any posting, it is your responsibility to ensure that you have received the proper license to use such intellectual property and have paid the appropriate license fee. All third-party intellectual property must be properly referenced as the property of the third-party, and you must adhere to any restrictions and conditions that the owner of the intellectual property places on the use of its property.

#### **A. 6 Advertising Templates and Approval**

You may only advertise or promote your IWM business using approved tools, templates, ads, or images acquired through your e-office downloads. No approval is necessary to use these approved tools. Any designs or images in your e-office downloads are exclusive property of the Company and are to be used strictly in the format provided. Unauthorized use of these designs and/or the images contained therein is a direct violation of the copyright laws and can lead to prosecution and/or termination of your Distributor account. (see Section 32, *infra*)

If Independent Distributors are creating their own ads or marketing material, these must be submitted to [compliance@itworksglobal.com](mailto:compliance@itworksglobal.com) for approval before they may be used. There are exceptional cases in which new ideas for advertising/promotional material will be considered for future projects. These new ideas must be submitted to [marketingtools@itworksglobal.com](mailto:marketingtools@itworksglobal.com) for further review. A Distributor should not anticipate that approval will be granted.

#### **A. 7 Media and Media Inquiries**

Any inquiries by press or the media, including blogs, radio, or television, are to be referred immediately to the Public Relations Coordinator of the Company. This policy is to assure accuracy and consistent public image. Additionally, you are not allowed to proactively contact the media or distribute any form of press release that includes information about IWM, It Works!, It Works! products, or the opportunity without prior written approval from IWM.

#### **A. 8 Independent Distributor Release**

By entering into the Distributor Agreement, you authorize IWM to use your name, testimonials, and/or likeness in IWM advertising or promotional materials with no remuneration. Additionally, you consent to and authorize the use and reproduction of any photographs taken by or supplied to the Company, and further consent to the use and reproduction of any quotes, testimonials, stories, conversations on social networking media for any print or electronic publicity, marketing or promotional purposes, without remuneration.

#### **Distributor Websites**

#### **A. 9 IWM Replicated Websites**

The Company maintains an official corporate website and various marketing websites. Independent Distributors are allowed to advertise on the internet only through the IWM provided marketing websites. Independent Distributors are allowed to put their own contact information on

these sites as they directly link to the Company website, giving the Independent Distributor a professional and company-approved presence on the Internet. Only these websites may be used by Independent Distributors. No Independent Distributor may independently design a website that uses the trademarked names, logos, or product descriptions of the Company, nor may a Distributor use 'blind' ads on the Internet that make product or income claims which are ultimately associated with Company products or the Company's Compensation Plan. You are solely responsible and liable for the content that you add to your IWM replicated site and must regularly review the content (every 30 days) to ensure it is accurate and relevant.

## **A. 10 Blogging**

### **Blog Sites**

You are allowed one external blog to personalize your IWM business and/or promote the opportunity. If you wish to develop an external blog you must do the following:

1. Submit for approval and register your blog with the IWM Compliance Department by emailing [compliance@itworksglobal.com](mailto:compliance@itworksglobal.com) . Blogs must be approved before going live. Approvals may take 2-4 weeks, depending on content.
2. Adhere to the branding and image usage policies described in this document.
3. Agree to modify your site to comply with current or future policies.
4. Agree to remove all references to IWM and It Works! from your registered site within 5 days, in the event of the voluntary or involuntary cancellation of your Independent Distributor Agreement. A blog developed on a blogging platform that is developed for the primary purpose of marketing or promoting It Works! products and/or the IWM opportunity must be registered with the Company Compliance Department.

### **Blog Content**

You are solely responsible and liable for your own blog content, messaging, claims, and information and must ensure that your blog appropriately represents and enhances the It Works! brand and adheres to company guidelines and policies. Additionally, your blog must not contain disingenuous popup ads or promotions or malicious code. All decisions and corrective actions are at the Company's sole discretion.

### **IWM Independent Distributor Image Mandate**

To avoid confusion, the following three elements must be prominently displayed at the top of your registered blog:

1. The IWM Independent Distributor Logo;
2. Your Name and the phrase 'IWM Independent Distributor'; and
3. Your Photo.

Although It Works! brand themes and images are desirable for consistency, anyone landing on your page needs to clearly understand that they are at an Independent Distributor's site and not an It Works! or IWM Corporate site.

### **Blog Must Exclusively Promote It Works! Products**

Your registered external blog must contain content and information that is exclusive to IWM or It Works! products. You may not advertise other products or services other than the It Works! product line and the IWM opportunity. Any site or profile you maintain that uses It Works!' trademarks must exclusively promote It Works! products and IWM.

## **A. 11 No e-Commerce or Stock-and-Sell Retailing**

You may not *stock and offer or arrange for sale of* It Works! products, nor may you develop an eCommerce environment that would facilitate this model. All orders must be placed through your official IWM replicated site or e-Office. It is expressly against Company policy to accept Paypal, credit cards or other payment solutions for the purchase of Company product.

#### **A. 12. IWM, Marketing Hotlinks**

When directing readers to your replicated site, the link and surrounding context must expressly demonstrate to a reasonable reader that the link will be directed to the site of an Independent Distributor. Attempts to mislead web traffic into believing they are going to the It Works! or IWM corporate site, when in fact they *land* at an Independent Distributor's replicated site, is not allowed. The determination as to what is *misleading* or what constitutes a *reasonable reader* will be at the Company's sole discretion.

#### **A. 13 Removing IWM or It Works! References in the event of Independent Distributor Termination**

In the event of the voluntary or involuntary cancellation of your Independent Distributor Agreement, you are required to remove all references to IWM or It Works! within 5 days. Independent Distributors must discontinue using the company name and all of It Works!' trademarks, trade names, service marks, and other intellectual property, and all derivatives of such marks and intellectual property, in any postings and all 'Social Media' sites that you utilize. If you post on any 'Social Media' site on which you have previously identified yourself as an IWM or It Works! Independent Distributor, you must conspicuously disclose that you are no longer a IWM or It Works! Independent Distributor.

### **Online Advertising, Marketing and Promotion**

#### **A. 14 Social Media**

'Social Media' and social bookmarking including, but not limited to, blogs, Facebook, MySpace, Twitter, Xing, LinkedIn, Digg, Delicious, and others, may be used by Distributors. However, Independent Distributors who elect to use 'Social Media' must adhere to the requirements set forth in this Addendum as well as other IWM policies.

#### **A. 15 Distributors Are Responsible for Their Postings**

Independent Distributors are personally responsible for their own postings and all other online activity conducted on behalf of the Independent Distributor's business, and which can be traced back to the Company, and will be held fully responsible for any such activities. This applies even if an Independent Distributor does not own or operate a blog, website, or social network site. If an Independent Distributor posts any comment to any such site that relates to IWM or It Works! or which can be traced to the Company, the Independent Distributor is responsible for the posting. No claims as to therapeutic or curative properties about the products may be made except those officially approved in writing by the Company or as contained in the official Company literature. In particular, no Independent Distributor may make any claim that the Company products are useful in the treatment or cure of any disease. Such statements can be perceived as medical claims. Not only are they against Company policy, but they could potentially violate federal and provincial laws and regulations, including the federal Food and Drugs Act, and/or the terms of applicable product licenses.

#### **A. 16 Identification as an IWM Independent Distributor**

You must disclose your full name on all social media postings and conspicuously identify yourself as an Independent Distributor for IWM. Anonymous postings or use of an alias is prohibited.

#### **A. 17. Truthfulness in Online Postings**

It is your obligation to ensure your postings and other online marketing activities are truthful, are not deceptive and do not mislead customers or prospects in any way. Postings that are false, misleading, or deceptive are prohibited. This includes, but is not limited to, false or deceptive postings relating to the IWM income opportunity, It Works! products and services, or your biographical information and credentials.

Websites and web promotion activities and tactics that mislead or are deceptive, regardless of intent, will not be allowed. This may include spam linking (or blog spam), unethical search engine optimization (SEO) tactics, misleading click-through ads (i.e. having the display URL of a PPC campaign appear to link to an official IWM or It Works! corporate site when it goes elsewhere), unapproved banner ads, and unauthorized press releases. The Company will be the sole determinant of truthfulness and whether specific activities are misleading or deceptive.

#### **A. 18 Respecting Privacy**

Always respect the privacy of others in your postings. Independent Distributors must not engage in gossip or advance rumors about any individual, company, or competitive products or services. Independent Distributors may not list the names of other individuals or entities on their postings unless they have the written permission of the individual or entity that is the subject of their posting.

#### **A. 19 Professionalism**

You must ensure that your postings are truthful and accurate. This requires that you fact-check all material that you post online. You should also carefully check your postings for spelling, punctuation, and grammatical errors. Use of offensive language is prohibited.

#### **A. 20 Prohibited Postings**

Independent Distributors may not make any postings or link to any posting or other material that:

- Is sexually explicit, obscene, or pornographic;
- Is offensive, profane, hateful, threatening, harmful, defamatory, libelous, harassing, or discriminatory (whether based on race, ethnicity, creed, religion, gender, sexual orientation, physical disability, or otherwise);
- Is graphically violent, including any violent video game images;
- Is solicitous of any unlawful behavior;
- Engages in personal attacks or that is disparaging on any individual, group, or entity;
- Is in violation of any intellectual property rights of the Company or any third party.

#### **A. 21 Responding to Negative Posts**

Do not converse with one who places a negative post against you, other Independent Distributors, IWM or It Works!. Report negative posts to the Company at [compliance@itworksglobal.com](mailto:compliance@itworksglobal.com). Responding to such negative posts often simply fuels discussions with those who do not hold themselves to the same high standards as IWM and therefore damages the reputation and goodwill of the Company.

### **Internet Advertising / Awareness Generation**

#### **A. 22 Online Classifieds**

You may not use online classifieds to advertise, list, offer or arrange sales of or retail the It Works! product line or IWM business opportunity. This includes but is not limited to Craigslist, Kijiji, Facebook Buy Sell Swap pages or other garage sale type sites or any other online classified websites.

#### **A. 23 eBay / Online Auctions**

You may not list or offer or arrange for sale of It Works! products on eBay or other online auctions, nor may you enlist or allow a third party (Customer) to offer or arrange for sales of It Works! products on eBay or other online auctions.

#### **A. 24 Online Retailing**

You may not list or offer or arrange for sale of It Works! products on any online retail store or e-commerce site, nor may you enlist or allow a third party (Customer) to offer or arrange for sale of It Works! products on any online retail store or e-commerce site.

#### **A. 25 Promotions**

**No IWM Independent Distributor may publicly offer free product, cash or offers to pay for Basic Enrollment Kits in an effort to enroll Distributors or Loyal Customers.** The Company strongly encourages that all Distributors offer products for sale without the Loyal Customer commitment at the Company's suggested retail price. *At no time may an active Distributor advertise pricing on any Company product at or below 120% of the Loyal Customer Price found at myitworks.com. Distributors may advertise Loyal Customer pricing only with the 3 month Loyal Customer commitment.* Wholesale pricing is only available to the account holder. Distributors may not use their accounts to offer wholesale pricing to others without signing them up as a Distributor or Loyal Customer. *Distributors are also prohibited from making any claim that implies an unfair advantage. For example, 'lowest price' and similar ads are not allowed.* Distributor organizational promotions which do not involve giving away product, cash or paying for Basic Enrollment Kits to **prospective** Distributors or Loyal Customers are exempt from this requirement.

#### **A. 26 Banner Advertising**

You may place banner advertisements on a website provided you use IWM-approved templates and images. All banner advertisements must link to your replicated website or an IWM-approved website. You may not use *blind* ads or web pages that make product or income claims that are ultimately associated with It Works! products or the IWM opportunity.

#### **A. 27 Unsolicited Email Spamming / Mass Emailing**

You are not allowed to transmit mass, unsolicited emails to promote IWM, It Works! products or the IWM business opportunity to people whom you do not know or who have not given you permission to contact them. People who have provided their express consent ('opt-in' subscribers), who have initiated a request to be included in bulk e-mailing, newsletter, or other standardized communications from you, are allowed. Review Section 3.2.8 of the Policies and Procedures, for a comprehensive discussion of the Company Policies regarding Mass emailing.

#### **A. 28 Spam Linking**

Spam linking is defined as multiple consecutive submissions of the same or similar content into blogs, wikis, guest books, websites or other publicly accessible online discussion boards or forums and is not allowed. This includes blog spamming, blog comment spamming or spamdexing. Any comments you make on blogs, forums, guest books etc. must be unique, informative and relevant. You may not use blog spam, spamdexing or any other mass-replicated methods to leave blog comments. Comments you create or leave must be useful, unique, relevant and specific to the blog's article.

#### **A. 29 Social Networking Sites (Facebook/Twitter/LinkedIn)**

We encourage distributors to view, like, comment, and share content provided to you from our corporate Facebook fan page: [www.facebook.com/itworksglobal](http://www.facebook.com/itworksglobal). However, Distributors are prohibited from posting their website link, phone number, or Facebook fan page URL on our corporate IWM or It Works! Global social media pages. Our goal is to keep Facebook and Twitter a friendly environment for all potential customers, current customers, and Distributors. Posting your fan page link or website URL will result in your post being marked as "spam" and could result in losing access to the IWM fan page.

You may use social networking sites (Facebook, Twitter, LinkedIn, blogs, forums and other socially shared interest sites) to share information about the It Works! products and IWM business opportunity, and for prospecting and sponsoring, based upon the IWM marketing model; however, these sites may not be used to offer or arrange for sale or facilitate the transfer of products. All sales must go through an IWM-approved site.

Profiles you generate in any social community where you mention or discuss IWM must clearly identify you as an Independent Distributor, include your photo as your main profile picture, and when you participate in those communities, you must avoid inappropriate conversations, comments, images, video, audio, applications or any other adult, profane, discriminatory or vulgar content. The determination of what is *inappropriate* is at the Company's sole discretion, and offending Independent Distributors will be subject to appropriate actions up to and including termination of the Distributor Agreement. If fan pages or groups are created and you wish to use IWM in the title, it must include Independent Distributor and your full name. You will also need to include your picture and/or the Independent Distributor logo as the profile picture. Product names or product claims may not be used as titles. Banner ads and images used on these sites must be current and be your own photo or come from the downloads section of your e-office. Distributors are not approved to use corporate images or logos on such sites unless found in the e-office downloads. If a link is provided, it must link to your replicated website or an IWM-approved site. Any claims made through social network posting must conform to all current corporate-provided advertising/marketing material. If requested, you must add IWM Compliance as a group member.

**A. 30 Digital Media Submission (YouTube, iTunes, PhotoBucket, etc.)**

All video content must be submitted and approved by our Compliance Department prior to posting. These submissions must be made to [compliance@itworksglobal.com](mailto:compliance@itworksglobal.com). Approvals can take 2-4 weeks for a response, depending on content. These submissions must clearly identify you as an Independent Distributor (either in the content itself and/or in the content description tag), must comply with all advertising policies, copyright/legal requirements, and must state that you are solely responsible for this content and not IWM Marketing. You may not upload, submit or publish any content (video, audio, presentations or any computer files) received from IWM or captured at official corporate events or in buildings owned or operated by IWM without prior written permission from the It Works! Compliance Department.

**A. 31 Sponsored Links / Pay-Per-Click (PPC) Ads**

Sponsored links or pay-per-click ads (PPC) are acceptable. The destination URL must be to either your replicated website or an It Works!-approved site. The display URL must also be to either your replicated website or an IWM-approved site, and must not portray any URL that could lead the user to assume they are being led to an IWM corporate site or be inappropriate or misleading in any way.

**A. 32 Marketing Violations**

An Independent Distributor shall make every attempt to comply with Company policies and procedures. In addition to the possible contract remedies discussed in Section 8 of the Policies and Procedures above, in the event of a violation of the policies contained in this Addendum, the Company will take the following actions in an effort to correct the situation:

a. First Action - The Independent Distributor will receive a call and/or an email from the Company's corporate office to advise the Independent Distributor on how to remedy the breach of the Distributor Agreement. The Independent Distributor shall be given no more than 72 hours from notification to take corrective action.

b. Second Action - If the breach has not been corrected within 72 hours, or a written agreement for remedy has not been established by the Company and Independent Distributor, the Company shall withhold all Distributor commissions until corrective action has been taken and verified by the Company.

c. Third Action - Any Independent Distributor that remains in violation of the Company's established marketing policies and procedures can result in the termination of the Agreement and/or forfeit all commissions pursuant to Section 8 in the Policies and Procedures above.