

It Works!®
STATEMENT OF POLICIES
and
PROCEDURES
Effective July 17, 2013
TABLE OF CONTENTS

SECTION 1 - INTRODUCTION	1
1.1 - POLICIES AND COMPENSATION PLAN INCORPORATED INTO DISTRIBUTOR AGREEMENT.....	1
1.2 - PURPOSE OF POLICIES	1
1.3 - CHANGES TO THE AGREEMENT	1
1.4 - DELAYS	1
1.5 - POLICIES AND PROVISIONS SEVERABLE.....	2
1.6 - WAIVER.....	2
SECTION 2 - BECOMING A DISTRIBUTOR.....	2
2.1 - REQUIREMENTS TO BECOME A DISTRIBUTOR.....	2
2.2 - NO PRODUCT PURCHASE REQUIRED	2
2.3 - DISTRIBUTOR BENEFITS.....	2
2.4 - TERM AND RENEWAL OF YOUR IT WORKS! BUSINESS.....	3
SECTION 3 - OPERATING AN IT WORKS! BUSINESS	3
3.1 - ADHERENCE TO THE IT WORKS! MARKETING AND COMPENSATION PLAN	3
3.2 - ADVERTISING	3
3.2.1 - General.....	3
3.2.2 - Marketing and Lead Generation Systems.....	4
3.2.3 - Distributor Websites.....	4
3.2.4 - Blogs, Chat Rooms, Social Networks, Online Auctions, and other Online Forums	4
3.2.5 - Domain Names and Email Addresses	4
3.2.6 - Trademarks and Copyrights.....	5
3.2.7 - Media and Media Inquiries	5
3.2.8 - Unsolicited Email	5
3.2.9 - Unsolicited Faxes.....	5
3.2.10 - Newspaper Advertisements.....	6
3.3 - BONUS BUYING PROHIBITED	6
3.4 - BUSINESS ENTITIES.....	6
3.4.1 - CHANGES TO A BUSINESS ENTITY	7
3.5 - CHANGE OF SPONSOR.....	7
3.5.1 - Cancellation and Reapplication	8
3.6 - UNAUTHORIZED CLAIMS AND ACTIONS	8
3.6.1 - Indemnification.....	8
3.6.2 - Product Claims.....	8
3.6.3 - Income Claims.....	8
3.6.4 - Before and After Photos	9
3.6.5 - Income Disclosure Statement.....	9
3.7 - COMMERCIAL OUTLETS	10

3.8 - TRADE SHOWS, EXPOSITIONS AND OTHER SALES FORUMS	10
3.8.1 - Double-Bookings Dispute Resolution.....	11
3.9 - CONFLICTS OF INTEREST.....	12
3.9.1 - Non-Solicitation	12
3.9.2 - Sale of Competing Goods or Services	Error! Bookmark not defined.
3.9.3 - Distributor Participation in Other Direct Selling Programs	12
3.9.4 - Downline Activity (Genealogy) Reports	12
3.10 - TARGETING OTHER DIRECT SELLERS.....	13
3.11 - Cross-Sponsoring.....	13
3.12 - Errors or Questions.....	13
3.13 - GOVERNMENTAL APPROVAL OR ENDORSEMENT	13
3.14 - HOLDING APPLICATIONS OR ORDERS.....	14
3.15 - IDENTIFICATION.....	14
3.16 - INCOME TAXES	14
3.17 - INDEPENDENT CONTRACTOR STATUS.....	14
3.18 - INSURANCE	14
3.19 - INTERNATIONAL MARKETING	15
3.20 - INVENTORY LOADING.....	15
3.21 - ADHERENCE TO LAWS AND ORDINANCES.....	15
3.22 - MINORS.....	15
3.23 - ONE IT WORKS! BUSINESS PER DISTRIBUTOR AND PER HOUSEHOLD	15
3.24 - ACTIONS OF HOUSEHOLD MEMBERS OR AFFILIATED INDIVIDUALS	16
3.25 - REQUESTS FOR RECORDS	16
3.26 - ROLL-UP OF MARKETING ORGANIZATION.....	16
3.27 - SALE, TRANSFER OR ASSIGNMENT OF AN IT WORKS! BUSINESS	16
3.28 - SEPARATION OF AN IT WORKS! BUSINESS.....	17
3.29 - SPONSORING.....	17
3.30 - SUCCESSION.....	17
3.31 - TRANSFER UPON DEATH OF A DISTRIBUTOR	18
3.32 - TRANSFER UPON INCAPACITATION OF A DISTRIBUTOR.....	18
3.33 - TELEMARKETING TECHNIQUES	18
3.34 - BACK OFFICE ACCESS.....	19
SECTION 4 - RESPONSIBILITIES OF DISTRIBUTORS	19
4.1 - CHANGE OF CONTACT INFORMATION	19
4.2 - CONTINUING DEVELOPMENT OBLIGATIONS.....	19
4.2.1 - ONGOING TRAINING.....	19
4.2.2 - INCREASED TRAINING RESPONSIBILITIES	19
4.2.3 - Ongoing Sales Responsibilities.....	19
4.3 - Non-Disparagement.....	20
4.4 - Providing Documentation to Applicants.....	20
4.5 - Reporting Policy Violations	20
4.6 - VENDOR CONFIDENTIALITY/COMMUNICATIONS	20
SECTION 5 - SALES REQUIREMENTS	20
5.1 - PRODUCT SALES	20
5.1.1 - Bulk Orders.....	21
5.1.2 - Special State Rules.....	21
5.2 - NO TERRITORY RESTRICTIONS.....	21
5.3 - SALES RECEIPTS	21
5.4 - PRODUCT REPACKAGING, REBRANDING AND SAMPLING PROHIBITED.....	21
5.5 - PRODUCT SOURCE.....	21

SECTION 6 - BONUSES AND COMMISSIONS	21
6.1 - BONUS AND COMMISSION QUALIFICATIONS.....	21
6.1.1 - Deadlines for Qualifications	21
6.1.2 - Commission Payments	22
6.2 - ADJUSTMENT TO BONUSES AND COMMISSIONS	22
6.2.1 - Adjustments for Returned Products and Cancelled Services	22
6.2.2 - Other Deductions	22
6.3 - REPORTS.....	22
6.4 - LOYAL CUSTOMER RULES	23
SECTION 7 - PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE	23
7.1 - PRODUCT GUARANTEE	23
7.2 - RETURNS BY RETAIL CUSTOMERS.....	24
7.3 - RETURN OF INVENTORY AND SALES AIDS BY DISTRIBUTORS UPON CANCELLATION	24
7.3.1 - Montana Residents	24
7.4 - PROCEDURES FOR ALL RETURNS	24
SECTION 8 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS.....	25
8.1 - DISCIPLINARY SANCTIONS.....	25
8.2 - GRIEVANCES AND COMPLAINTS.....	25
8.3 - DISPUTE RESOLUTION BOARD.....	25
8.4 - MEDIATION	26
8.5 - ARBITRATION.....	26
8.6 - GOVERNING LAW, JURISDICTION AND VENUE	27
SECTION 9 - PAYMENT AND SHIPPING	27
9.1 - RETURNED CHECKS.....	27
9.2 - CHARGEBACKS.....	27
9.3 - RESTRICTIONS ON THIRD PARTY USE OF CREDIT CARDS AND CHECKING ACCOUNT ACCESS	27
9.4 - SALES TAXES.....	27
9.4.1 - California Sales Tax	27
9.4.2 - New Mexico Gross Receipts Taxes	27
SECTION 10 - INACTIVITY, RECLASSIFICATION, & CANCELLATION	28
10.1 - EFFECT OF CANCELLATION.....	28
10.2 - INVOLUNTARY CANCELLATION	28
10.3 - VOLUNTARY CANCELLATION	28
10.4 - NON-RENEWAL.....	29
SECTION 11 - DEFINITIONS	29
ADDENDUM.....	31
INTERNATIONAL ADDENDUM.....	38

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 It Works! Marketing, Inc. d.b.a. It Works! Global™ (hereafter 'It Works!' or the 'Company'), are incorporated into, and form an integral part of, the It Works!® Distributor Agreement. Throughout these Policies, when the term 'Agreement' is used, it collectively refers to the It Works! Independent Distributor Application and Agreement, these Policies and Procedures, the It Works! Marketing and Compensation Plan, and the It Works! Business Entity Registration Form (if applicable). These documents are incorporated by reference into the It Works! Distributor Agreement (all in their current form and as amended by It Works!). 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 It Works! Marketing and Compensation Plan prior to his or her execution of the Distributor Agreement.

1.2 - Purpose of Policies

It Works! 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 It Works! and to explicitly set a standard for acceptable business conduct, It Works! has established the Agreement.

It Works! Distributors are required to comply with all of the Terms and Conditions set forth in the Agreement which It Works! may amend at

its sole discretion from time to time, as well as all federal, state, and local laws governing their It Works! 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 It Works!.

1.3 - Changes to the Agreement

Because federal, state, and local laws, as well as the business environment, periodically change, It Works! 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 It Works! 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 It Works! 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 checks; or (5) special mailings. The continuation of a Distributor's It Works! business or a Distributor's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

1.4 - Delays

It Works! 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 It Works! 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 It Works!' right to demand exact compliance with the Agreement. Waiver by It Works! can be effectuated only in writing by an authorized officer of the Company. It Works!' waiver of any particular breach by a Distributor shall not affect or impair It Works!' 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 It Works! to exercise any right arising from a breach affect or impair It Works!' rights as to that or any subsequent breach.

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

SECTION 2 - BECOMING A DISTRIBUTOR

2.1 - Requirements to Become a Distributor

To become an It Works! Distributor, each applicant must:

- a) Be of the age of majority in his or her state of residence;
- b) Reside in Canada, the United States, a U.S. Territory, Australia, the EU, or any country that It Works! has officially announced is open for business;
- c) Have a valid Social Security or Federal Tax ID number for US distributors.

International distributors may use valid passport number, driver's license number or other means of identification;

- d) Purchase an It Works! Sales Kit (optional in North Dakota); and
- e) Submit a properly completed Distributor Application and Agreement to It Works!, 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 in the United States, the business must be registered with the IRS with an EIN and must not be a sole proprietorship. Any business names that are not registered with the IRS 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 Kit. In order to familiarize new Distributors with It Works! products, services, sales techniques, sales aids, and other matters, the Company recommends that they purchase a Basic Kit. It Works! will repurchase Resalable kits from any Distributor who terminates his or her Distributor Agreement pursuant to the terms of Section 7.3.

2.3 - Distributor Benefits

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

- a) Sell It Works! products and services;
- b) Participate in the It Works! Marketing and Compensation Plan (receive

- bonuses and commissions, if eligible);
- c) Sponsor other individuals as Customers or Distributors into the It Works! business and thereby build a Marketing Organization and progress through the It Works! Marketing and Compensation Plan;
- d) Receive periodic It Works! literature and other It Works! communications;
- e) Participate in It Works!-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 It Works! for its Distributors.

2.4 - Term and Renewal of Your It Works! Business

The term of the Distributor Agreement is one year from the date of its acceptance by It Works! (subject to prior termination or reclassification pursuant to Section 10). Distributors must renew their Distributor Agreement each year by paying an annual renewal fee of \$35USD on or before the anniversary date of their Distributor Agreement. If the renewal fee is not paid within 30 days after the expiration of the current term of the Distributor Agreement, the Distributor Agreement will be canceled. Distributors may elect to utilize the Automatic Renewal Program ('ARP'). Under the ARP, the renewal fee will be charged to the Distributor's credit card on file with the Company.

SECTION 3 - OPERATING AN IT WORKS! BUSINESS

3.1 - Adherence to the It Works! Marketing and Compensation Plan

Distributors must adhere to the terms of the It Works! Marketing and Compensation Plan as set forth in official It Works! literature. Distributors shall not offer the It Works! opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official It Works! literature. Distributors shall not require or encourage other current or prospective Customers or Distributors to participate in It Works! in any manner that varies from the program as set forth in official It Works! literature. Distributors shall not require or

encourage other current or prospective Customers or Distributors to execute any agreement or contract other than official It Works! agreements and contracts in order to become an It Works! 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 It Works! Marketing and Compensation Plan other than those purchases or payments identified as recommended or required in official It Works! literature.

3.2 - Advertising

3.2.1 - General

All Distributors shall safeguard and promote the good reputation of It Works! and its products. The marketing and promotion of It Works!, the It Works! opportunity, the Marketing and 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 It Works! offers, Distributors must use the sales aids and support materials produced by It Works!. The rationale behind this requirement is simple. It Works! has carefully designed its products, product labels, Marketing and Compensation Plan, and promotional materials to ensure that each aspect of It Works! is fair, truthful, substantiated, and complies with the vast and complex legal requirements of federal and state laws. If It Works! 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 It Works! business is almost certain. These violations, although they may be relatively few in number, would jeopardize the It Works! 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.

It Works! shall not permit Distributors to sell sales aids to other It Works! Distributors. Therefore, Distributors who receive authorization from It Works! to produce their own sales aids may not sell such material to any other It Works! Distributor. Distributors may make approved material available to other Distributors free of charge if they wish, but may not charge other It Works! 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.

It Works! 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 It Works! 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 It Works! 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 It Works! or otherwise promotes (directly or indirectly) It Works! products or the It Works! 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 It Works! opportunity, or the It Works! Marketing and 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 It Works! opportunity, or the Marketing and Compensation Plan is a breach of the Agreement and may result in any of the disciplinary sanctions 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

Distributors shall not use online blogs, chat rooms, social networks, online auction sites, or any other online forum to sell It Works! products or services or the It Works! 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

It Works! will not allow the use of its trade names, trademarks, designs, or symbols by any person, including It Works! Distributors, without its prior written permission. Distributors may not produce for sale or distribution any recorded Company events and speeches without written permission from It Works! 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

It Works! 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 It Works!, its products or services, or their independent It Works! business. All inquiries by any type of media must be immediately referred to the It Works! Public Relations Department at PR@itworksglobal.com. At that time, It Works! 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 It Works! PR or Compliance Departments.

It Works! 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

It Works! does not permit Distributors to send unsolicited commercial emails unless such emails strictly comply with applicable laws and regulations including, without limitation, the federal CAN-SPAM Act. Any email sent by a Distributor that promotes It Works!, the It Works! 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 a notice in the email that advises the recipient that he or she may reply to the email, via the functioning return email address, to request that future email solicitations or correspondence not be sent to him or her (a functioning 'opt-out' notice).
- c) The email must include the Distributor's physical mailing address.
- 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 opt-out requests, whether received by email or regular mail, must be honored. If a Distributor receives an opt-out request from a recipient of an email, the Distributor must forward a copy of the opt-out request to the Company.

It Works! 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. Distributors shall honor opt-out requests generated as a result of such emails sent by the Company.

3.2.9 - Unsolicited Faxes

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 It Works! businesses. The term 'automatic

telephone dialing system' means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers. The term 'unsolicited faxes' means the transmission via telephone facsimile of any material or information advertising or promoting It Works!, its products, the Marketing and Compensation Plan or any other aspect of the Company which is transmitted to any person, except that these terms do not include a fax: (a) to any person with that person's prior express written invitation or permission; or (b) to any person with whom the Distributor has an established business or personal relationship. The term 'established business or personal relationship' means a prior or existing relationship formed by a voluntary two-way communication between a Distributor and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding products offered by such Distributor; or (b) a personal or familial relationship, which relationship has not been previously terminated by either party.

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 - Bonus Buying Prohibited

Bonus buying is strictly and absolutely prohibited. 'Bonus buying' includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Independent 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, limited liability company (LLC), partnership or trust (collectively referred to in this section as a 'Business Entity') may apply to be an It Works! Distributor by submitting its Certificate of Incorporation, Certificate of Organization, Partnership Agreement or trust documents (these documents are collectively referred to as the 'Entity Documents') to It Works!, along with a properly completed Distributor Application and Agreement. If a Distributor enrolls online, the Entity Documents must be submitted to It Works! 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 It Works!.

To prevent the circumvention of Section 3.27 (regarding transfers and assignments of It Works! business), if an additional partner, shareholder, member, 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 checks 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 \$35 USD fee for each change requested, which must be included with the written request and the completed Distributor Application and Agreement. It Works! may, at its discretion, require notarized documents before implementing any changes to an It Works! business. Please allow thirty (30) days after the receipt of the request by It Works! for processing.

3.4.1 - Changes to a Business Entity

An It Works! business may change its status under the same sponsor from an individual to a partnership, LLC, corporation or trust, or from one type of entity to another. There is a \$35 USD fee for each change requested, which must be included with the written request and the completed Distributor Application and Agreement. Such changes shall be processed only once per year and must be submitted by November 30 to become effective on January 1 of the following year. In addition, Distributors operating their It Works! businesses utilizing a business entity must notify It Works! 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, It Works! 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 It Works! 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 EST 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 can not 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

\$35 USD 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 It Works! with the \$35 USD change fee (i.e., the transferring Distributor and each Distributor in his or her Marketing Organization multiplied by \$35 USD is the cost to move an It Works! 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 It Works! 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, It Works! 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 IT WORKS! THAT RELATE TO OR ARISE FROM THE IT WORKS! 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 It Works! 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 It Works! functions, and no participation in any other form of Distributor activity or operation of any other It Works! 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. It Works! will consider waiving the three month waiting period under exceptional circumstances. Such requests for waiver must be submitted to It Works! 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 Marketing and Compensation Plan which are not expressly contained in official It Works! materials. Distributors agree to indemnify It Works! and It Works' 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 It Works! 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 of any products offered by It Works! may be made except those contained in official It Works! literature. In particular, no Distributor may make any claim that It Works! products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases. Such statements can be perceived as medical or drug claims. Not only do such claims violate It Works! policies, but they potentially violate federal and state laws and regulations, including the federal Food, Drug, and Cosmetic Act and Federal Trade Commission Act. Company products may only be advertised and used according to the label specifications at the specified dosage. Unless the label specifically states that the product is suitable for children, Company products are to be used by adults only.

Public before and after photos must either be personal or approved by corporate before being posted. Send to testimonials@itworksglobal.com.

3.6.3 - Income Claims

In their enthusiasm to enroll prospective Distributors, some Distributors are occasionally

tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new Distributors may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At It Works!, we firmly believe that the It Works! income potential is great enough to be highly attractive, without reporting the earnings of others.

Moreover, the Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Distributors may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact It Works! as well as the Distributor making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because It Works! Distributors do not have the data necessary to comply with the legal requirements for making income claims, a Distributor, when presenting or discussing the It Works! opportunity or Marketing and Compensation Plan to a prospective Distributor, may not make income projections, income claims, or disclose his or her It Works! income (including the showing of checks, copies of checks, bank statements, or tax records).

3.6.4 - Before and After Photos

It Works! recommends using corporate approved before and after photographs located on the It Works! Corporate Facebook page and in your back office. These before and after photos are preapproved for use and have the proper disclaimers attached.

In the event that you don't use the corporate before and after photographs, use of other before and after photos for Facebook and like social media purposes must either be your own personal images or you must have written permission to use the images from the person in the image. Upon request, this written permission must be provided to Compliance and should state:

I expressly consent for [insert Distributor name] to use my before and after pictures for advertising and marketing purposes. I understand and agree that these pictures will be public, posted on social media sites and likely will be re-posted. Signed, _____.

If you do not have personal written permission, you cannot post (or re-post) a picture on Facebook or other social media.

All before and after photos must meet company branding standards and may not include nudity, or inappropriate content that might be considered obscene or offensive to others. Pictures must be actual images (no photo shopping or other alterations allowed) and should include the time span between the photos. The before and after photographs must contain this disclaimer: ***"Individual results can and will vary. These testimonials are not necessarily representative of all those who use our products. All participants giving testimonials utilized the FITworks! system that incorporates the Ultimate Body Applicator, It Works! dietary supplements, physical activity, and a reasonable diet. These testimonials are not intended to make claims that these products can be used to diagnose, treat, cure, mitigate or prevent any disease. These claims have not been clinically proven or evaluated by the FDA."***

For non-Facebook and other advertising and marketing use of Before and After photographs, refer to Section 3.2.7 for specific approval procedures to follow.

We encourage distributors and customers to tell us how It Works! has changed their lives by submitting photos and stories for possible future use in corporate marketing materials. The person in the photo will need to email testimonials@itworksglobal.com, and include the following information:

- the original photos
- the time span between the photos
- the products used
- A line in the email stating "I [insert name] give It Works! Global full permission to use this story/these pictures for marketing purposes."

3.6.5 - Income Disclosure Statement

It Works!' corporate ethics compel us to do not merely what is legally required, but rather,

to conduct the absolute best business practices. To this end, we have developed the It Works! Income Disclosure Statement ('IDS'). The It Works! IDS is designed to convey truthful, timely, and comprehensive information regarding the income that It Works! Distributors earn. In order to accomplish this objective, a copy of the IDS shall be presented to all prospective Distributors.

A copy of the IDS must be presented to a prospective Distributor (someone who is not a party to a current It Works! Distributor Agreement) anytime the Compensation Plan is presented or discussed, or any type of income claim or earnings representation is made.

The terms 'income claim' and/or 'earnings representation' (collectively 'income claim') include: (1) statements of average earnings, (2) statements of non-average earnings, (3) statements of earnings ranges, (4) income testimonials, (5) lifestyle claims, and (6) hypothetical claims. Examples of 'statements of non-average earnings' include, "Our number one Distributor earned XXX dollars last year" or "Our average (*rank*) makes XXX per month." An example of a 'statement of earnings ranges' is "The monthly income for (*rank*) is XXX on the low end to YYY on the high end."

A lifestyle income claim typically includes statements (or pictures) involving large homes, luxury cars, exotic vacations, or other items suggesting or implying wealth. They also consist of references to the achievement of one's dreams, having everything one always wanted, and are phrased in terms of 'opportunity' or 'possibility' or 'chance.' Claims such as "My It Works! income exceeded my salary after six months in the business," or "Our It Works! business has allowed my wife to come home and be a full-time mom" also fall within the purview of 'lifestyle' claims.

A hypothetical income claim exists when you attempt to explain the operation of the Compensation Plan through the use of a hypothetical example. Certain assumptions are made regarding the: (1) number of Distributors sponsored, (2) number of downline Distributors, (3) average product volume per Distributor, and (4) total organizational volume. Running these assumptions through the Compensation

Plan yields income figures which constitute income claims.

In any non-public meeting (e.g., a home meeting, one-on-one, regardless of venue) with a prospective Distributor or Distributors in which the Compensation Plan is discussed or any type of income claim is made, you must provide the prospect(s) with a copy of the IDS. In any meeting that is open to the public in which the Compensation Plan is discussed or any type of income claims is made, you must provide every prospective Distributor with a copy of the IDS and you must display at least one (3 foot x 5 foot poster board) in the front of the room in reasonably close proximity to the presenter(s). In any meeting in which any type of video display is utilized (e.g., monitor, television, projector, etc.) a slide of the IDS must be displayed continuously throughout the duration of any discussion of the Compensation Plan or the making of an income claim.

Copies of the IDS may be printed or downloaded without charge from the corporate website at www.myItWorks.com/IDS

3.7 - Commercial Outlets

In general, Distributors may not sell It Works! products from a commercial outlet, nor may Distributors display or sell 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 sell It Works! products at trade shows and professional expositions in the countries we are officially open for business with the exception of NFR countries such as Australia and Canada (where allowed, only the cosmetic line can be exhibited). The Company policy is to authorize only one It Works! business per event. Company recommends registering under the name Ultimate Body Applicator and inquiring if there are any other registrants using that name. It Works! 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 It Works! opportunity. No distributor may sell 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 It Works! wishes to portray. When attending an event you must adhere to the following policies relative to participation in temporary sales forums:

- a. Only one It Works! 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 It Works! Independent Distributors are authorized to contract for booth space exhibiting It Works! products. The contract is between the Independent Distributor and the Event Sponsor. It Works! Global 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 It Works! 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 It Works! Independent Distributors to display or sell 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 It Works! policies; and
- b. The second applicant was aware that there was an It Works! 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 It Works! 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 Consultant 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 It Works! policies listed above, they should contact the It Works! Global Compliance Department to

review the situation by emailing Compliance@itworksglobal.com. At no time will It Works! Global 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

It Works! 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 It Works! 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 It Works! 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 It Works! agree that this non-solicitation provision shall apply to all markets in which It Works! 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 It Works! 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-It Works! direct selling programs, it is the responsibility of the Distributor to ensure that his or her It Works! 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 It Works! promotional materials, sales aids, products or services with or in the same location as any non-It Works! promotional materials, sales aids, products or services.
- b) The Distributor may not offer the It Works! opportunity, products or services to prospective or existing Customers or Distributors in conjunction with any non-It Works! program, opportunity, product or service.
- c) The Distributor may not offer any non-It Works! opportunity, products, services, or opportunity at any It Works!-related meeting, seminar or convention, or within two hours and a five mile radius of the It Works! event. If the It Works! meeting is held telephonically or via the internet, any non-It Works! meeting must be at least two hours before or after the It Works! meeting, and on a different conference telephone number or internet web address from the It Works! 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 It Works! 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 It Works!.** 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 It Works! business. Distributors should use their Downline Activity Reports to assist, motivate, and train their downline Distributors. The Distributor and It Works! agree that, but for

this agreement of confidentiality and nondisclosure, It Works! 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 It Works! or for any purpose other than promoting or supporting his or her It Works! 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 It Works!.

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

It Works! does not condone Distributors specifically or consciously targeting the sales force of another direct sales company to sell It Works! products or to become Distributors for It Works!, nor does It Works! 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, It Works! will not pay any of Distributor's defense costs or legal fees, nor will It Works! 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 It Works!, 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 It Works! 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 It Works! business in accordance with Section 3.27.

If cross-sponsoring is discovered, it must be brought to the Company's attention immediately. It Works! may take disciplinary action against the Distributor that changed organizations and/or those Distributors who encouraged or participated in the cross-sponsoring. It Works! 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, It Works! 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 It Works!. **Distributors waive all claims and causes of action against It Works! 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 It Works! in writing within 60 days of the date of the purported error or incident in question. It Works! 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 state regulatory agencies nor officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Distributors shall not represent or imply that It Works! or its Marketing and 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 It Works! 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 US Distributors are required to provide their Social Security Number or a Federal Employer Identification Number to It Works! on the Distributor Application and Agreement. International distributors may use valid license or passport number. 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 - Income Taxes

Each Distributor is responsible for paying local, state and federal taxes on any income generated as an Independent Distributor. If an It Works! business is tax exempt, the Federal Employer Identification Number must be provided to It Works!. Every year, It Works! will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who: 1) had earnings of over \$600 in the previous calendar year; or 2) made purchases during the previous calendar year in excess of \$5,000.

3.17 - Independent Contractor Status

Distributors are independent contractors and are not purchasers of a franchise or a business opportunity. The agreement between It Works! and its Distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Distributor. Distributors shall

not be treated as an employee for his or her services or for federal or state tax purposes. All Distributors are responsible for paying local, state, and federal taxes due from all compensation earned as a Distributor of the Company. The Distributor has no authority (expressed or implied), to bind the Company to any obligation. Each Distributor shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Distributor Agreement, these Policies and Procedures, and applicable laws.

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

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

3.18 - Insurance

You may wish to arrange insurance coverage for your business. Your homeowners 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 homeowners 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 submit a Support Ticket that includes: date of

event, all names to be insured, event holder name and address, and address where event is being held. A copy of the Vendor Insurance form will be emailed to the distributor that submitted the support ticket.

3.19 - International Marketing

Because of critical legal and tax considerations, It Works! must limit the resale of It Works! products and services, and the presentation of the It Works! 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 It Works! would violate the concept of affording every Distributor the equal opportunity to expand internationally.

Accordingly, Distributors are authorized to sell It Works! products and services and enroll Customers or Distributors only in the countries in which It Works! 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 foreign country. Distributors may sell, give, transfer, or distribute It Works! products or sales aids only in their home country or 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 selling It Works! products, establishing a Marketing Organization, or promoting the It Works! opportunity unless and until authorized by Company. For further information regarding Company international policies, see International Addendum to Policies and Procedures, *infra*.

3.20 - Inventory Loading

Distributors must never purchase more products than they can reasonably use or sell 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 sell 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, state, and local laws and regulations in the conduct of their businesses. Many cities and counties 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 city or county 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 It Works!. In most cases, there are exceptions to the ordinance that may apply to It Works! Distributors.

3.22 - Minors

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

3.23 - One It Works! 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 It Works! business. No individual may have, operate or receive compensation from more than one It Works! business. Individuals of the same family unit may not enter into or have an interest in more than one It Works! 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 Security 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 placed 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 It Works! may take disciplinary 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 It Works!. 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 It Works! may take disciplinary 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 It Works! 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 It Works! Business

Although an It Works! business is a privately owned, independently operated business, the sale, transfer or assignment of a It Works! business is subject to certain limitations. If a Distributor wishes to sell his or her It Works!

business, the following criteria must be met:

- a) Protection of the existing line of sponsorship must always be maintained so that the It Works! business continues to be operated in that line of sponsorship.
- b) The buyer or transferee must become a qualified It Works! Distributor. If the buyer is an active It Works! Distributor, he or she must first terminate his or her It Works! business and wait three calendar months before acquiring any interest in a different It Works! business.
- c) Before the sale, transfer or assignment can be finalized and approved by It Works!, any debt obligations the selling Distributor has with It Works! 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 It Works! business.
- e) The Company reserves the right to purchase the position at the same price as the purchaser.

Prior to selling an It Works! business, the selling Distributor must notify the It Works! Compliance Department of his or her intent to sell the It Works! business. Upon complete execution of the Purchase and Sale Agreement, the parties must submit a copy to the Compliance Department for review. It Works! 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 It Works! Distributor for a period of at least three full calendar months after the date of the sale.

There is a \$200 fee for the sale, transfer or assignment of an It Works! business. No changes in line of sponsorship can result from the sale or transfer of an It Works! business.

3.28 - Separation of an It Works! Business

It Works! Distributors sometimes operate their It Works! 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, It Works! 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 It Works! business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize It Works! to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee.
- b) The parties may continue to operate the It Works! business jointly on a 'business-as-usual' basis, whereupon all compensation paid by It Works! 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 It Works! split commission and bonus payments between divorcing spouses or members of dissolving entities. It Works! will recognize only one Marketing Organization and will issue only one

commission payment per It Works! 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 It Works! 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 It Works!. 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 It Works! 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 It Works! business transferred pursuant to this section will be paid in a single payment jointly to the devisees. The devisees must provide It Works! with an 'address of record' to which all bonus and commission checks will be sent. If the business is bequeathed to joint devisees, they must form a business entity and acquire a Federal Employer Identification Number. It Works! will issue all bonus and commission payments and one 1099 MISC (US only) to the business entity.

3.31 - Transfer Upon Death of a Distributor

To effectuate a testamentary transfer of an It Works! 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 It Works! business. The successor or successors must complete and execute a Distributor Agreement and meet the other requirements set forth in Section 3.30.

3.32 - Transfer Upon Incapacitation of a Distributor

To effectuate a transfer of an It Works! 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 It Works! business. The Trustee must, on behalf of the Trust, complete and execute a Distributor Agreement and meet the other requirements set forth in Section 3.30.

3.33 - Telemarketing Techniques

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have 'do not call' regulations as part of their telemarketing laws. Although It Works! does not consider Distributors to be 'telemarketers' in the traditional sense of the word, these government regulations broadly

define the term 'telemarketer' and 'telemarketing' so that your inadvertent action of calling someone whose telephone number is listed on the National Do Not Call Registry could cause you to violate the law. Moreover, these regulations must not be taken lightly as they carry significant penalties (up to \$11,000.00 per violation).

Therefore, Distributors must not engage in telemarketing in the operation of their It Works! businesses. The term 'telemarketing' means the placing of one or more telephone calls to an individual or entity to induce the purchase of an It Works! product or service or to recruit them for the It Works! opportunity. 'Cold calls' made to prospective customers or Distributors that promote either It Works! products or services or the It Works! opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a prospective Customer or Distributor (a 'prospect') is permissible under the following situations:

- a) If the Distributor has an established business relationship with the prospect. An 'established business relationship' is a relationship between a Distributor and a prospect based on the prospect's purchase, rental, or lease of goods or services from the Distributor, or a financial transaction between the prospect and the Distributor, within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect's purchase of a product or service.
- b) The prospect's personal inquiry or application regarding a product or service offered by the Distributor, within the three (3) months immediately preceding the date of such a call.
- c) If the Distributor receives written and signed permission from the prospect authorizing the Distributor to call. The authorization must specify the telephone number(s) which the Distributor is authorized to call.
- d) You may call family members, personal friends, and acquaintances. An 'acquaintance' is someone with whom

you have at least a recent first-hand relationship within the preceding three months. Bear in mind, however, that if you engage in 'card collecting' with everyone you meet and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if you engage in calling 'acquaintances,' you must make such calls on an occasional basis only and not make this a routine practice.

- e) In addition, Distributors shall not use automatic telephone dialing systems relative to the operation of their It Works! businesses. The term 'automatic telephone dialing system' means equipment which has the capacity to:
 - (a) store or produce telephone numbers to be called, using a random or sequential number generator; and
 - (b) to dial such numbers.

3.34 - Back Office Access

It Works! 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 It Works! business and to increase sales of It Works! products. However, access to a Back Office is a privilege, and not a right. It Works! 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 It Works! 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 It Works! website. To guarantee proper delivery, two weeks advance notice must be provided to It Works! on all changes.

4.2 - Continuing Development Obligations

4.2.1 - Ongoing Training

Any Distributor who sponsors another Distributor into It Works! must perform a bona fide assistance and training function to ensure that his or her Marketing Organization is properly operating his or her It Works! business. Distributors must 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 It Works! meetings, training sessions, and other functions. Upline Distributors are also responsible to motivate and train new Distributors in It Works! product knowledge, effective sales techniques, the It Works! Marketing and 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 - Increased Training Responsibilities

As Distributors progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the It Works! program. They will be called upon 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 Distributors with the best products, 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 Marketing and 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 Marketing and 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 Marketing and 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

It Works! 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 It Works! Marketing and Compensation Plan is based on the sale of Company products and services to end consumers. Distributors must fulfill personal and 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 It Works! Marketing and 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.

5.1.1 - Bulk Orders

Distributors in all countries where allowed, who place large orders for their business may create a Bulk Order account under their Distributor account. If the business has a Uniform Sales and Use Tax Exemption Certificate, the account can be made tax exempt after a copy of the Uniform Sales and Use Tax Exemption Certificate has been faxed in and approved. The minimum order to create the Bulk Order account is \$900 USD and re-orders need to be a minimum of \$300 USD. No Autoships will be allowed on these accounts unless they meet the \$300 USD minimum order level. This account may not be used to count towards any Customer Loyalty required bonuses such as the car bonus, fast start qualification, coding bonuses, or purchasing special priced products. Volume placed under this account will be considered part of Personal Volume. Distributors who utilize this account must ship orders to the existing ship to address on the Bulk Order account.

5.1.2 - Special State Rules

Cumulative purchases during the first six months of becoming a Company Distributor are limited to less than \$500 USD in Georgia, Louisiana, Indiana and Michigan. See specific addenda to Agreement for specific states as to statutory purchasing limitations, buyback rules and other restrictions, disclosures and additional Distributor rights and responsibilities.

5.2 - No Territory Restrictions

There are no exclusive territories granted to anyone. No franchise fees are required.

5.3 - Sales Receipts

All Distributors must provide their retail customers with two copies of an official It Works! sales receipt at the time of the sale. These receipts set forth the consumer protection rights afforded by federal or state law. Distributors must maintain all Retail sales receipts for a period of two years and furnish them to Company at the Company's request. Records documenting the purchases of Distributors' Direct Customers must be

maintained by Distributors.

Remember that Retail Customers must receive two copies of the sales receipt. In addition, Distributors must orally inform the buyer of his or her cancellation rights.

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 Company to accompany any product. No sampling programs are allowed other than through Company-approved packaging. Providing 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, It Works! shall pay commissions to such Distributor in accordance with the Marketing and Compensation Plan in US dollars. To be commission qualified on a monthly basis, a Distributor must have either an 80 BV Autoship set to run no later than the 28th of the month or have 400 PBV; alternatively, a Distributor can be commission qualified by purchasing a Business Builder Kit during the month. The minimum amount for which It Works! will issue a payment is \$20 USD. If a Distributor's bonuses and commissions do not equal or exceed \$20 USD, the Company will accrue the commissions and bonuses until they total \$20 USD. A payment will be issued once \$20 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 15th 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 resign or are terminated from 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 It Works! 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

It Works! will deduct from all bonus and commission payments issued to a Distributor a data processing fee of \$1 USD. There is a \$5 fee to recover commission and re-send via an alternative payment method.

6.3 - Reports

All information provided by It Works! 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 check payments; returned products; credit card and electronic check chargebacks; the information is not guaranteed by It Works! 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, IT WORKS! 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, BONUSSES, 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 IT WORKS! 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, IT WORKS! 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 It Works' 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 It Works' 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 \$50 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 sell 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 \$50 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 resaleable, unopened, 'new' condition.

7.2 - Returns by Retail Customers

A retail customer who makes a purchase of \$25 USD or more has three business days (72 hours) 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 72 hour 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 72 hours, 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 It Works! 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 - Return of Inventory and Sales Aids by Distributors Upon Cancellation

Upon cancellation of a Distributor's Agreement, the Distributor may return his or her starter Kit and any products and sales aids held in his or her inventory for a refund. In order to receive a refund from Company pursuant to this policy, the following requirements must be met:

- a) The items being returned must have been personally purchased by the Distributor from It Works! (purchases from other Distributors or third parties are not subject to refund);
- b) The items must be in Resalable condition (see Definition of 'Resalable' in Section 11 below); and
- c) The items must have been purchased from It Works! within one year prior to the date of cancellation, except in the states of Georgia, Louisiana, Maryland, Massachusetts, Wyoming and the territory of Puerto Rico.

Upon receipt of a Resalable starter Kit and/or Resalable products and sales aids, the Distributor will be reimbursed 90% of the net cost of the original purchase price(s), subject to the 70% consumption requirement

contained in Section 3.20. Shipping charges incurred by a Distributor when the items were purchased will not be refunded. If the purchases were made through a credit card, the refund will be credited back to the same account. If a Distributor was paid a bonus or commission based on a product that he or she purchased, and such product is subsequently returned for a refund, the commission that was paid to the Distributor based on that product purchase will be deducted from the amount of the refund.

7.3.1 - Montana Residents

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

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 It Works!.
- 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 It Works!, shipping pre-paid. It Works! 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 It Works! that was returned to him or her by a personal Retail Customer, the product must be received by It Works! 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 DISCIPLINARY PROCEEDINGS

8.1 - Disciplinary Sanctions

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 It Works! 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) Imposition of a fine 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 disciplinary reasons, 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 It Works! 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 - Grievances and Complaints

When a Distributor has a grievance or complaint with another Distributor regarding any practice or conduct in relationship to their respective It Works! 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 is to: (1) review appeals of disciplinary sanctions; and (2) review matters between Company 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 Dispute Resolution Board 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 issuance of a disciplinary sanction, the disciplined Distributor may appeal the sanction to the Dispute Resolution Board ('DRB'). Distributor's appeal must be in writing and received by the Company within 15 days from the date of Company's notice of the disciplinary sanction. If the appeal is not received by Company within the 15 day period, the sanction 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 disciplinary sanction, the DRB will review and reconsider the sanction, 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 attorney 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 It Works! 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 It Works!' 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 Manatee County, State of Florida. 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. Notwithstanding the foregoing, and the mediation and arbitration provisions in Sections 8.4 and 8.5, residents of the State of Louisiana shall be entitled to bring an action against Company in their home forum and pursuant to Louisiana law.

SECTION 9 - PAYMENT AND SHIPPING

9.1 - Returned Checks

All checks returned by a Distributor's bank for insufficient funds will be resubmitted for payment. A \$25 USD returned check fee will be charged to the account of the Distributor. After receiving a returned check from a Customer or a Distributor, ***all future orders must be paid by credit card, money order or cashier's check. Any outstanding balance owed to It Works! by a Distributor for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.***

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 \$50 USD 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.

9.4 - Sales Taxes

By virtue of its business operations, Company is required to charge sales taxes on all purchases made by Distributors and Customers, and remit the taxes charged to the respective states. Accordingly, Company will collect and remit sales taxes on behalf of Distributors, based on the sale price of the products, according to applicable tax rates in the state or province to which the shipment is destined. Any distributors purchasing products at wholesale pricing and selling them at a higher price will be responsible for reporting and remitting any applicable state and local sales tax due. If a Distributor has submitted, and Company has accepted, a current Uniform Sales and Use Tax Exemption Certificate and Sales Tax Registration License, sales taxes will not be added to the invoice and the responsibility of collecting and remitting sales taxes to the appropriate authorities shall be on the Distributor. Exemption from the payment of sales tax is applicable only to orders which are shipped to a state for which the proper tax exemption papers have been filed and accepted. Applicable sales taxes will be charged on orders that are drop-shipped to another state. Any sales tax exemption accepted by Company is not retroactive.

9.4.1 - California Sales Tax

The Company will be responsible for the collection and remittance of all applicable California sales and use taxes on the sale price of the products purchased. We cannot accept resale certificates from Distributors unless they hold a California Sales and Use Tax Permit for selling other tangible personal property obtained from vendors who are not section 6015(b) retailers.

9.4.2 - New Mexico Gross Receipts Taxes

New Mexico state and local municipalities do not have a sales tax. Instead, they have a gross receipts tax. The gross receipts tax is imposed upon persons engaged in business in New Mexico. The gross receipts tax applies to all sales and bonus payments received.

Company Responsibility

Company is required to precollect the state and local gross receipts tax on all sales of product shipped to an address in the state.

Company shall remit these taxes collected directly to the state of New Mexico on behalf of the Distributors.

Distributor's Responsibility

Distributors are required to collect the applicable gross receipts tax on their sales as a reimbursement for the tax precollected by Company.

The gross receipts tax also applies to bonus payments Distributors receive from It Works Marketing. As a distributor, you are responsible to register with the state for a gross receipts license and pay the applicable tax on your bonus payments.

To register for a license please contact:

State of New Mexico
Taxation and Revenue Department
1100 S. Francis Dr.
Santa Fe, NM 87504-0630
Telephone: (505) 827-0700

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, It Works! shall pay commissions to such Distributor in accordance with the Marketing and 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 sell 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 It Works! Distributor and shall not have the right to sell 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 sanctions 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 It Works! in its sole discretion, may result in any of the sanctions 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 attorney, or when the Distributor receives actual notice of cancellation, whichever occurs first.

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 Autoship program, the Distributor's Autoship 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 Autoship Agreement also be canceled.

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.

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 It Works! 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 Marketing and Compensation Plan, for any month. To be considered 'active' relative to a particular rank, a Distributor must meet the criteria set forth in the It Works! Marketing and 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 It Works! Policies and Procedures, and the It Works! Marketing and Compensation Plan, all in their current form and as amended by It Works! in its sole discretion. These documents are collectively referred to as the 'Agreement.'

Basic Kit — A selection of It Works! training materials and business support literature that each new Distributor is required to purchase, except in North Dakota, where the purchase is optional. The Basic Kit is sold to Distributors at the Company's cost, currently \$35 USD. No product purchase is 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 It Works! as a Retail Customer or Loyal Customer pursuant to the It Works! Customer Program.

Downline Activity Report — A monthly online report generated by It Works! 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 It Works!.

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 It Works!, 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 Autoship order for a minimum of three months.

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

Official It Works! Material — Literature, audio or videotapes, and other materials developed, printed, published and distributed by It Works! 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) by the Company to a Distributor; and (2) by the Company to the 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 It Works! Marketing and 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 It Works! Distributor or Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity. Except in California, the foregoing conduct constitutes recruiting even if the Distributor's actions are in response to an inquiry by another Distributor or Customer.

Resalable — Products and Sales aids shall be deemed 'Resalable' if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) 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 It Works! within 60 days for starter Kits and 30 days for product from the date of purchase; and 5) the product contains current It Works! 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 It Works! Compensation Plan.

Retail Sales — Sales to a Retail Customer including all Distributor purchases for personal consumption purposes.

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.

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! ® 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! ® is a trademark of It Works Marketing, Inc., 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! Global™

or: It Works! ® Independent Distributor

Example:

Sarah Jones

Independent Distributor, It Works! Global

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, It Works! Marketing ®. 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 It Works! 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 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 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 with 1,000 or more unique visitors per month, are to be referred immediately to the Marketing and Field Communications Senior Manager 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 It Works!, its products, or the opportunity without prior written approval from It Works!.

A. 8 Independent Distributor Release

By entering into the Distributor Agreement, you authorize It Works! to use your name, testimonials, and/or likeness in It Works! 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 It Works! 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 It Works!

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 It Works! 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 It Works! 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 It Works! Compliance Department by emailing 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 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 It Works! 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.

It Works! Independent Distributor Image Mandate

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

1. The It Works! Independent Distributor Logo;
2. Your Name and the phrase 'It Works! 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! Corporate site.

Blog Must Exclusively Promote It Works!

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

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

You may not *stock and sell* It Works! products, nor may you develop an eCommerce environment that would facilitate this model. All orders must be placed through your official It Works! 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. It Works! 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! corporate site, when in fact they *land* at a 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 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 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 It Works! Independent Distributor, you must conspicuously disclose that you are no longer an 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 It Works! 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 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 is this against Company policy, but it is also against the laws governed by the United States Food and Drug Administration.

A. 16 Identification as an It Works! Independent Distributor

You must disclose your full name on all social media postings and conspicuously identify yourself as an Independent Distributor for It Works!. 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 It Works! 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 It Works! corporate site when it goes elsewhere), unapproved banner ads, and unauthorized press releases. It Works! 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, or It Works!. Report negative posts to the Company at 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 It Works! 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, sell or retail the It Works! product line or 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 sell It Works! products on eBay or other online auctions, nor may you enlist or allow a third party (Customer) to sell It Works! products on eBay or other online auctions.

A. 24 Online Retailing

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

A. 25 Promotions

No It Works! Independent Distributor may publicly offer free product, cash or offers to pay for starter 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 starter 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 It Works!-approved templates and images. All banner advertisements must link to your replicated website or an It Works!-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 It Works! opportunity.

A. 27 Unsolicited Email Spamming / Mass Emailing

You are not allowed to transmit mass, unsolicited emails to promote It Works!, its products or the business opportunity to people whom you do not know or who have not given you permission to contact them. People who are '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. However, Distributors are prohibited from posting their website link, phone number, or Facebook fan page URL on our corporate 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 It Works! Global 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 opportunity, and for prospecting and sponsoring, based upon the It Works! marketing model; however, these sites may not be used to sell or facilitate the transfer of products. All sales must go through an It Works!-approved site.

Profiles you generate in any social community where you mention or discuss It Works! 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 disciplinary action up to and including termination. If fan pages or groups are created and you wish to use It Works! 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 It Works!-approved site. Any claims made through social network posting must conform to all current corporate-provided advertising/marketing material. If requested, you must add It Works! 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. 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 It Works! Marketing. You may not upload, submit or publish any content (video, audio, presentations or any computer files) received from It Works! or captured at official corporate events or in buildings owned or operated by It Works! 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 It Works!-approved site, and must not portray any URL that could lead the user to assume they are being led to an It Works! 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 sanctions 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 violation. The Independent Distributor shall be given no more than 72 hours from notification to take corrective action.
- b. Second Action - If the violation 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 be fined, suspended, terminated and/or forfeit all commissions pursuant to Section 8 in the Policies and Procedures above.

INTERNATIONAL ADDENDUM TO POLICIES AND PROCEDURES

The following is an Addendum to the Policies and Procedures and is incorporated into the Company Policies and Procedures. This Addendum is written specifically for International Customers and Distributors of the Company. An International Resident is defined for purposes of this Addendum as any individual who is residing outside of the United States.

Section 1. International Residents acceptance of this Addendum

This addendum is incorporated into and forms an integral part of the Company Agreement for all International Residents and as such, it is the responsibility of each International Resident to be aware of and comply with applicable portions of this Addendum.

Section 2. US Laws and Regulations

All contracts, agreements and sales of the Company products are provided to International Residents under US Laws and Regulations, with acceptance of contracts and sales of goods occurring at the Company Headquarters in Bradenton, Florida USA unless otherwise specified.

Section 3. Currency used for Pricing and Commissions

Whenever prices, commissions, or fees of any type are stated in the Company literature, forms or on any website, the currency stated is always in US DOLLARS unless specifically stated otherwise with the official currency abbreviation following the value. (For example official currency abbreviations include: CDN for Canadian Dollar, AUD for Australian Dollar, or GBP for Great Britain Pound)

Section 4. Distributor Applications

Applications will only be accepted if the country is officially open for business by the Company. Distributors must use true and accurate information related to identity and residence on applications. In lieu of a US Social Security number or Tax ID number, a valid ID will be required for identification with the address which is stated on the application (Tax ID number, Passport number, or Citizen's ID number). In addition, a completed and current US IRS W-8BEN form is required to be on file with the Company to receive commission and bonus payments.

Section 5. Distributor Benefits

Distributor Benefits may be slightly altered dependent upon local requirements. Promotional and incentive contests and programs may provide a dollar value for the prize or program rather than the actual prize itself. In addition, the dollar value for such a prize may be capped at a specific level for International Residents. For example, Company may offer a free trip to the Corporate Headquarters as part of a sales incentive program. Company reserves the right to limit the amount to a specific dollar amount such as \$500 USD.

Section 6. Not For Resale Programs

Not For Resale (NFR) is a term used in certain locales and means that products allowed into a particular country are for personal use only and cannot be resold. The amount of product that can be imported is limited in nature, based on household use for a short time period. The amounts will differ from country to country. Where Not For Resale programs are implemented by the Company for that specific country (such as Canada and Australia), NO further selling of purchased products is allowed. An exception is made for retail establishments using external use products such as the Applicator, gel and lotion products in the course of their business; such businesses may sell such products for use ON SITE ONLY when included in services such as spa services. The Company may also limit the quantities purchased to a reasonable amount for personal use by the Customer/Distributor and their family. All Customers and Distributors MUST be referred to the Company for direct purchase or application to become a Distributor and shipment and supply will come directly from the Company. Where such Customer referral sales

are made, Distributors will receive the appropriate credit for all sales as if they had made the retail sale directly.

Section 7. Additional Country Specific Rules and Policies

In addition to standard U.S. policies, the Company may provide additional information for your specific country as to prohibitions and other guidelines related to product claims income claims and advertising. Please read country specific FAQs located in the Distributor eOffice or contact the Company for specifics for your country. These country specific FAQs are incorporated into this document by reference.

Section 8. Income Taxes

International Distributors are responsible for reporting their income and paying their own income taxes in the country where they claim residence. It is required to maintain a current US IRS W-8BEN on file with the Company to receive commissions and bonuses. With such a W-8BEN form on file, commissions and bonuses will be paid without U.S. tax withholding.

Section 9. Commission and Bonus Qualifications

The Company reserves the right to increase the minimum amount of commissions and bonuses to issue payment for International Residents. Payment may be in the form of debit card or electronic payment. Please consult your specific country business operations plan for details.

Section 10. Other Deductions

The payment processing fee (if charged by the Company) may be applicable for payment by debit card or electronic payment. There may be additional fees from other independent processing companies or banks to receive funds in local currency or withdraw funds from ATM machines.

Section 11. Product returns from International Residents

Return policies may be different for each individual country and will be publicized for that specific country when the country is opened. The U.S. return and refund policies are not applicable unless specifically authorized by the Company for your country of residence. All prepaid local duties, taxes and shipping will be deducted from any return when an International Resident is making the return of the product for a cash refund directly from the Company. All returns require prior authorization from the Company and instructions will be given for the return product on an individual basis.

Section 12. Payment Policy for International Residents

Acceptable payment for each country may be different based on the business plan for that country. However, in general credit cards will be accepted for purchases where possible, based on the Company merchant bank approvals. All purchases on credit card processed in the U.S. shall be in U.S. currency. Where credit cards are not used, alternate methods of payment will be explained for the specific country opening.

Section 13. Policies Applicable to UK Distributors

As a Company Associate it is important that you familiarise yourself with the rules and documents necessary to operate your business in the UK and use only the UK materials available from It Works! at all times. Pay close attention to the following information.

a. Basic Principles

As a Company associate promoting It Works! products and services in the UK/EU, you operate in your own name and on your own behalf as a self-employed independent contractor. The independent nature of your business operations remains the same irrespective of whether you

additionally perform the very important functions of enrolling new Associates i.e. recruiting, training and supporting other Company Associates.

b. Trading Schemes Regulations

In the UK, the It Works! opportunity has been designed to comply with the provisions of the Fair Trading Act 1973 (as amended) and the Trading Schemes Regulations 1997. These principally regulate the format and terms of our agreement with you, the It Works! Associate, the compensation plan and advertising and training. Please note that Great Britain residents are limited to £200 worth of orders in their first seven days of signing up. This threshold limit includes all products and services, shipping, and VAT.

c. Advertising

Under the regulations a promoter, i.e. It Works!, or a participant, i.e. It Works! Associate, in a trading scheme must NOT issue, circulate or distribute any advertisement 'which contains information likely to lead directly or indirectly to persons becoming participants in a trading scheme by any means' unless that advertisement contains both the Associate's name and address and that of It Works! as the promoter of the opportunity and a description of the goods or services being promoted.

The following statutory warning must also be included:

'It is illegal for a promoter or a participant in a trading scheme to persuade anyone to make a payment by promising benefits from getting others to join the scheme. Do not be misled by claims that high earnings are easily achieved.'

The warning must be easily legible or audible, must not appear at the beginning or the end of the advertisement and must be afforded no less prominence than that given to any other information in the advertisement apart from the heading.

If the advertisement contains any information as to the sources of income for Associates, the statutory warning must appear with such information and be given no less prominence than such information.

These rules do not apply to any advertisement which forms a part of a newspaper or magazine.

All It Works! official marketing material complies with the regulations. You must ensure that if you produce any material yourself to promote your It Works! business that it complies both with the Company's advertising guidelines contained in the Policies and Procedures and with these specific requirements.

Earnings Claims

If you make any earnings claims with your promotion of the It Works! opportunity, in addition to complying with the terms of your associate agreement and the Regulations, you must also ensure that you do not breach the British Code of Advertising, Sales Promotion and Direct Marketing. The code applies to 'advertisements in non-broadcast electronic media', i.e. to newspapers, magazines, flyers, brochures, but not to the internet, TV or radio advertising.

The code provides that advertisements for income opportunities should not mislead as to the support available or the likely rewards for the investment and work required, nor should they be presented in such a way as to be likely to be confused with an offer of paid employment. Advertisements should contain the name and contact details of the advertiser and where

possible a description of the work involved, the extent of the investor's commitments and the financial investment.

Earnings figures should not be exaggerated and when claims as to earnings attainable are made the advertiser should have available evidence that such earnings are currently obtained by existing Associates.

Copies of the code can be obtained free of charge from the Advertising Standards Authority from their website at www.asa.org.uk.

TAXATION

a. Income Tax

If you are trading as an Individual, are an Associate, and are a resident in the UK, then you will be taxed in the UK as a self-employed individual on your worldwide income.

As a self-employed Associate, it is your responsibility to file the appropriate tax returns and to make all payments of tax due in connection with your It Works! business. You must register with the Inland Revenue as self-employed as soon as you register as an It Works! associate. You can obtain the form to do so, which is contained in the guidance booklet SE1, available from your local Revenue & Customs office or from the Revenue & Customs website at www.hmrc.gov.uk/startingup/help.support.htm, entitled Help and Support for Businesses or by calling the Helpline for the newly self-employed on 08459 15 45 15.

If you do not register within the first three months you can be liable to a fine of 100 GBP (Pounds Sterling).

It Works! recommends that you seek the advice of a suitably qualified accountant or tax advisor.

b. Value Added Tax

The standard VAT rate is 20%. As a self-employed Associate, it is your responsibility to register for VAT once your turnover exceeds the threshold for compulsory registration (currently 61,000 GBP) in the preceding twelve months. If you are VAT registered, then the Company will provide you with a commission statement in your Back Office and you will need to provide the Company with a VAT invoice each month for the VAT on your commission to be paid, (Alternately, It Works! may create a self-billing statement on your behalf to pay the VAT on your commissions.)

If, at any time while you are an Associate of It Works!, you register or deregister for VAT, it is essential that you advise the Company as soon as possible. If you are VAT registered or become VAT registered, the Company will require a copy of your VAT registration certificate and confirmation of your status on renewal each year thereafter.

Information on VAT registration is available from the Revenue & Customers website at www.hmrc.gov.uk or you can call the National Advice Service on 0845 010 9000.

PARTNERSHIPS/COMPANIES

It Works! accepts as Associates individuals, partnerships, and limited companies. If you plan to operate your IT WORKS! business as a partnership, even if your proposed partner is your spouse, you need to consider carefully the business relationship between you and your partner and we strongly advise you to have a written partnership agreement and/or to take professional advice in this respect.

SOCIAL SECURITY CONTRIBUTIONS

All self-employed persons in the UK must register for and pay Class 2 National Insurance Contributions which is a fixed weekly amount and Class 4 which is a percentage of your taxable profits. You can pay these by direct debit monthly and can register for them and find out current amounts when you register yourself as a self-employed person with Revenue & Customs. Exemptions for small earnings may be available. Contact Revenue % Customs for questions or call the Self Employment Contact Centre.

DATA PROTECTION

It Works! has a policy on how it processes and treats your personal data and that of all It Works! Associates. IF you maintain a database of your contacts and/or customers including personal information such as addresses and telephone numbers, then you should check carefully that you are complying with the applicable legislation in how you deal with this information. You can obtain useful guidance from the Information Commissioner's office which can be contacted on telephone number 01625 545 745 or at www.ico.gov.uk. There can be fines and costs imposed by Magistrate Courts and Higher Courts for failure to notify processing activities.

SPAM

Although we recognise that email is a powerful communication tool, new rules came into force in the UK in December 2003 which require the following:

- 1) You cannot transmit, nor instigate the transmission of, unsolicited marketing materials by electronic mail to an individual subscriber UNLESS the recipient of the electronic mail has previously notified you, the sender, that he/she consents, for the time being, to receiving such communications.
- 2) You cannot transmit, nor instigate the transmission of, any marketing by electronic mail (whether solicited or unsolicited) to any subscriber (whether corporate or individual) where
 - (a) The identity of the sender has been disguised or concealed; or
 - (b) a valid address to which the recipient can send an opt-out request has not been provided.

A 'solicited message' is one that you have actively invited. An 'unsolicited marketing message that you have opted into receiving' is one that you have not invited, but you have indicated that you do not, for the time being, object to receiving.

MOBILE TELEPHONE CALLS

It is now an offence in the UK to cause or permit someone to make or receive a mobile call whilst they are driving. Please bear this in mind when contacting other current or potential Associates or Customers.

INDIVIDUAL EXPERT ADVICE

Please take the above information merely as general guidelines that do not claim to be exhaustive or complete. Obviously, this information cannot take into consideration every and all the legal, tax, and Social Security aspects of each individual situation. We therefore recommend that you seek the assistance of a suitably qualified solicitor, accountant, or tax advisor as appropriate. Further information is available at the It Works! website: www.myitworks.com.