

It Works!®

UNITED STATES

STATEMENT OF POLICIES and PROCEDURES

Effective July 21, 2015

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SECTION 1 - INTRODUCTION

1.1 - Policies and Compensation Plan Incorporated into Distributor Agreement

These Policies and Procedures, in their present form and as amended at the sole discretion of It Works Marketing, Inc. (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! 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! 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

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 30 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) via updates in eSuite; 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

No party 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 a party to exercise any right or power under the Agreement or to insist upon strict compliance by the other party. No custom or practice of the parties at variance with the terms of the Agreement shall constitute a waiver of a party's right to demand exact compliance with the Agreement. Waiver can be effectuated only in writing by an authorized representative of the party against whom the waiver is sought to be enforced. A party's waiver of any particular breach shall not affect or impair its rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other Distributor.

The existence of any claim or cause of action against a party shall not constitute a defense to the other party's 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 18 or the age of majority in his or her state or country of residence;
- b) Reside in any country or territory that It Works! has officially announced is open for business;
- c) Have a valid Social Security or Federal Tax ID number or submit a properly completed IRS form W-9 for US Distributors;
- 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.

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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 a 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 Business Builder 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 Compensation Plan and the Distributor Agreement are available to the new Distributor. These benefits include the right to:

- a) Sell and solicit orders for It Works! products and services;
- b) Participate in the It Works! 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! Compensation Plan;
- d) Receive periodic It Works! literature and other It Works! communications and have access to It Works! online sales and business tools;
- 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 \$35 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.

2.5 - Company Transfer of Distributors

It Works!, including but not limited to any of its affiliates and/or subsidiaries, may transfer or assign the Distributor Agreement in its sole discretion. In the case that the Distributor does not accept the transfer or assignment, it may provide written notice that it wishes to terminate the Agreement. In the event of such notice being provided, the termination will become effective immediately. In the event It Works! chooses not to transfer a Distributor Agreement termination will be effective immediately.

SECTION 3 - OPERATING AN IT WORKS! BUSINESS

3.1 - Adherence to the It Works! Compensation Plan

Distributors must adhere to the terms of the It Works! Compensation Plan as set forth in official It Works! literature. Distributors shall not offer the It Works! opportunity through, or in combination with, any marketing 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!

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 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 or approved by It Works!. The rationale behind this requirement is simple. If It Works! Distributors were allowed to develop their own sales aids and promotional materials, notwithstanding their integrity and good intentions, there is a high likelihood that they would unintentionally violate any number of statutes or regulations affecting an It Works! business. These violations, although they may be relatively few in number, would jeopardize the It Works! opportunity for all Distributors.

Accordingly, Distributors must submit all proposed 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. Any Distributor receiving written authorization from It Works! to produce sales tools grants It Works! an irrevocable and royalty-free license to use such tools, and to make such tools available to other Distributors.

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 marketing and lead-generation systems must first be submitted to It Works! Compliance and then reviewed and receive written approval from the Company before leaving the test server environment or in any way used by a Distributor.

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! 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 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

Except as expressly provided for in these Policies and Procedures, Distributors shall not use online blogs, chat rooms, social networks, online auction sites, or any other online forum to sell It Works! products or services or the It Works! opportunity. See **Social Media And Internet Addendum To Policies And Procedures**, for Company Policies relating to Social Media usage.

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, magazines, advertisement outlets, or bloggers. 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. 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 and a proper public image are provided to the public.

Distributors may not 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 indicating use of 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 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 - Print Classified Ads

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

- a) No advertisement may imply that a 'job' or 'position' is available.
- b) No specific income may be promised.
- c) Advertisements must contain no misleading facts or distortions of the Company opportunity or product line.
- d) You must state that the opportunity is for an "Independent Distributor for It Works Marketing, Inc."

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 an 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 are effective once form is submitted, processed and approved. 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 document 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 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 and notarized document containing the written approval of his or her immediate 5 upline Distributors 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 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 OR DISTRIBUTOR 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 calendar month prohibition applies to spouses, immediate family members and businesses. Following the three calendar 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 calendar 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 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 and Testimonials

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.

Testimonials must receive written approval from It Works!' corporate Compliance Department before being posted or published in any forum. Send submissions to: testimonials@itworksglobal.com.

3.6.3 - 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 must 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. I waive all claims against It Works Marketing, Inc. for any and all publication of these pictures.
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 a regimen 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."***

If the individual in the picture is also an It Works! Distributor, the following must appear immediately below the picture in at least 10-point font: "The individual in this photograph is an independent Distributor for It Works Marketing, Inc."

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

3.6.4 - Income Claims and the Income Disclosure Statement

When presenting the It Works! business or discussing the compensation plan with a prospective Distributor, or if a Distributor makes an income representation to a prospective Distributor, the Distributor must provide the prospect with a copy of It Works! Income Disclosure Statement (the "IDS").

The terms 'income representation and/or 'earnings representation' (collectively 'income claim') include: (1) statements that a specific amount of income have been or may be achieved, (2) statements that, although not specifically stating a given income level has been or may be achieved, imply that such income is possible, (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.

Copies of the IDS may be printed or downloaded without charge from the corporate website at www.mylt Works.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.

3.7.1 - California Retail Sale

In California dietary supplements may not be sold in any retail establishments. All customer orders must be submitted through the Company website or eSuite.

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 (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! 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! Compliance Department to review the situation by emailing Compliance@itworksglobal.com. At no time will It Works! 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 (6) 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. Announcement that a Distributor is joining a new network marketing opportunity on his or her Facebook page or other social media site also constitutes Recruiting as such announcements are veiled efforts to induce inquiries from others about the new opportunity that the Distributor has joined.

3.9.2 - Sale of Competing Goods or Services

Distributors must not sell, or attempt to sell, any competing non-It Works! programs, products or services. Any program, product or service that is offered through network marketing or multi-level marketing in the same generic categories as It Works! products or services is deemed to be competing, regardless of differences in cost, quality, or other distinguishing factors.

3.9.3 - 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. Notwithstanding the foregoing, Distributors may post It Works!' products on Pinterest and similar social media sites along with non-It Works! products so long as the non-It Works! products are not the products of another network marketing business.
- 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.

3.9.4 - 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. Furthermore, access to a Downline Activity Report is a privilege and not a right. It Works! reserves the right to suspend a Distributor's access to a Downline Activity Report if the Company reasonably believes that the Distributor is participating in another network

marketing business **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 manage 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 (6) 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 alleged 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 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! through the Distributor Application and Agreement. Upon enrollment, the Company will provide a unique Distributor Identification Number to the Distributor by which he or she will be identified. This number will be used to place orders and track commissions and bonuses.

3.16 - 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 a telephone or online 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 homeowner's insurance policy does not cover business-related injuries or the theft of or damage to inventory or business equipment. Contact your insurance agent to make certain that your business property is protected. This can often be accomplished with a simple 'Business Pursuit' endorsement attached to your present homeowner's policy. The Company maintains

product liability insurance for all of its products. A copy of the Vendor Insurance Form can be found in your eSuite under the Forms section of the Documents tab. If the event you are attending requires a named insured, please complete the Liability Certificate of Insurance Request Form that includes: date of event, all names to be insured, event holder name and address, and address where event is being held. Once completed a copy of the Vendor Insurance form will be emailed to the distributor that submitted the form. Please make sure to submit your request no later than ten (10) business days prior to your event.

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 country that has not been officially opened to do business. Distributors may sell, give, transfer, or distribute It Works! products or sales aids only in the country in which the Company is authorized to conduct business. In addition, no Distributor may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll potential Customers or Distributors; or (c) conduct any other activity for the purpose of selling It Works! products, establishing a Marketing Organization, or promoting the It Works! opportunity unless and until authorized by Company. Anyone found enrolling a customer or Distributor in an unopened country will be subject to discipline according to Section 8; plus all commissions earned from a leg operating in an unopened

country shall be subject to clawback and the illegally enrolled leg shall be cancelled. Therefore, any illegally enrolled customer or Distributor will be terminated. For further information regarding Company international policies, see International Addendum to Policies and Procedures, *infra*.

3.20 - Inventory Loading

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 (70%) 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 primarily 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 many 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 that, 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 (3) 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 made between the Distributor and the transferee, the parties must submit a copy to the Compliance Department. 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 (3) 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 (3) 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 (3) 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 \$16,000.00 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.
- f) 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 office services, such as eSuite, available to its Distributors. Back office services 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! 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 customers and Distributors with the best products, Distributors with the best compensation plan, and service in the industry. Accordingly, we value constructive criticisms and comments. All such comments should be submitted in writing to the Compliance Department. While the Company welcomes constructive input, negative comments and remarks made in the field by Distributors about the Company, its products, the Compensation Plan or other Distributors serve no purpose other than to sour the enthusiasm of other Company Distributors. For this reason, and to set the proper example for their Marketing Organization, Distributors must not disparage, demean, or make negative remarks about Company, other Company Distributors, Company products, the Compensation Plan, or Company directors, officers, or employees.

4.4 - Providing Documentation to Applicants

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

4.5 - General Conduct

Distributors must not engage in any activity outside of their It Works! business that may, in It Work's discretion, damage It Works! reputation or community standing. Therefore, It Works! reserves the right to cancel any Distributor's Agreement and independent business if the Distributor is convicted of, or pleads no contest to, any charge, or finding of liability, for any act or omission involving a claim of fraud, physical or sexual misconduct, theft, use, sales or distribution of a controlled substance, or any other act or omission that involves moral turpitude or a criminal felony.

4.6 - 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.

4.7 - 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! 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! 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.

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

5.1.1 - Special State Rules

Cumulative purchases during the first six (6) months of becoming a Company Distributor are limited to less than \$500 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 (2) years and furnish them to the Company at the Company's request. Records documenting the purchases of Distributors' Direct Customers must be maintained by Distributors.

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 Body Applicator may not be sold or marketed under 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 Compensation Plan in US Dollars. To be commission qualified on a monthly basis, a Distributor must either maintain 150 PBV or run an optional minimum 80 BV auto-shipment no later than the 25th of the month; alternatively, a Distributor can be commission qualified by purchasing a Business Builder Kit during the month they join the Company. The minimum amount for which It Works! will issue a payment is \$20. If a Distributor's bonuses and commissions do not equal or exceed \$20, the Company will accrue the commissions and bonuses until they total \$20. A payment will be issued once \$20 has been accrued.

6.1.1 - Deadlines for Qualifications

The following order deadlines apply for purposes of qualifying for compensation and /or rank in each pay cycle:

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. There is a \$5 fee to recover commission and re-send via an alternative payment method. All paper checks requested upon cancellation of distributor position, will incur a \$5 fee. After cancellation of the Distributor's position, after sixty (60) days without notifying the Company regarding a final payout for any outstanding commissions or bonuses, the Company will begin to assess a monthly \$5 service fee.

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, BONUSES, OR COMMISSIONS, LOSS OF OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF 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 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 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 towards 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. To be eligible for bonus qualifications, reward programs, and Distributor rebate programs, a Distributor's Loyal Customer must have an autoship order of at least 10 BV.

- c) Product must be shipped to the Loyal Customer's address.
- d) The Loyal Customer must fulfill the terms of the Loyal Customer Agreement 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 the proper enrollment of 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 the Loyal Customer did not enroll properly. Verbal agreements are not sufficient. If a Loyal Customer enrolls online they will be held responsible for any fees. If the Distributor helps the Loyal Customer enroll online and the Company does not obtain a proper electronic signature from the Loyal Customer, 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 resalable, unopened, 'new' condition.

7.2 - Returns by Retail Customers

A Retail Customer who makes a purchase of \$25 or more has three (3) business days (72 hours) after the sale or execution of a contract to cancel the order and receive a full refund consistent with terms contained on the invoice. 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.

7.3 - Return of Inventory and Sales Aids by Distributors Upon Cancellation

Within 30 days after 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 possession 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 and any products and sales tools purchased within this time period 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) Cancellation or suspension of a Distributor's privilege of receiving access to his or her downline activity report; or
- k) 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

For any dispute involving \$10,000.00 or more, 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

Except as otherwise provided in the Agreement, any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled through confidential arbitration. The Parties waive rights to trial by jury or to any court. This arbitration provision applies to claims that were not successfully resolved through the foregoing mediation process as well as claims for less than \$10,000.00 not subject to the mediation requirement. The arbitration shall be filed with, and administered by, the American Arbitration Association in accordance with the AAA's Commercial Arbitration Rules and Mediation Procedures, which are available on the AAA's website at www.adr.org. Copies of the AAA's Commercial Arbitration Rules and Mediation Procedures will also be emailed to Distributors upon request to It Works!'s Customer Service Department. Notwithstanding the rules of the AAA, unless otherwise stipulated by the Parties, the following shall apply to all Arbitration actions:

- The Federal Rules of Evidence shall apply in all cases;
- The Parties shall be entitled to all discovery rights permitted by the Federal Rules of Civil Procedure;
- The Parties shall be entitled to bring motions under Rules 12 and/or 56 of the Federal Rules of Civil Procedure;
- 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, without regard to principles of conflicts of laws.
- The arbitration hearing shall commence no later than 365 days from the date on which the arbitrator is appointed, and shall last no

more than five business days;

- The Parties shall be allotted equal time to present their respective cases;
- The arbitration shall be brought on an individual basis and not as part of a class or consolidated action.

All arbitration proceedings shall be held in Bradenton, Florida. There shall be one arbitrator selected from the panel that the AAA 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 to which the Parties have consented to jurisdiction as set forth in the Agreement. This agreement to arbitrate shall survive the cancellation or termination of the Agreement.

The parties, their agents, attorneys, and the arbitrator shall maintain the confidentiality of the arbitration proceedings and shall not disclose to third parties:

- The substance of, the facts surrounding, or basis for, the controversy, dispute, or claim;
- The substance or content of any settlement offer or settlement discussions or offers Distributors with the dispute;
- The pleadings, or the content of any pleadings, or exhibits thereto, filed in any arbitration proceeding;
- The content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery in arbitration;
- The terms or amount of any arbitration award;
- The rulings of the arbitrator on the procedural and/or substantive issues involved in the case.

Notwithstanding the foregoing, nothing in the Agreement shall prevent either party from applying to and obtaining from any court to which the Parties have consented to jurisdiction as set forth in the Agreement a temporary restraining order, preliminary or permanent injunction, or other equitable relief to safeguard and protect its intellectual property rights, trade secrets, and/or confidential information, including but not limited to enforcement of its rights under the nonsolicitation provision of the

Agreement.

8.6 - Damage Limitation

In any action arising from or relating to the Agreement, the parties waive all claims for incidental and/or consequential damages, even if the other party has been apprised of the likelihood of such damage. The parties further waive all claims to exemplary and punitive damages. Notwithstanding the foregoing, this Damage Limitation shall not apply to claims alleging the breach of the nonsolicitation or confidentiality provisions contained in these Policies.

8.7 - Indemnification.

Distributors agree to indemnify It Works! for any and all costs, expenses, consumer reimbursements, fines, sanctions, damages, settlements or payments of any other nature that It Works! incurs resulting from or relating to any act or omission by Distributor that is illegal, fraudulent, deceptive, negligent, unethical, or in violation of the Agreement. It Works! may elect to exercise its indemnification rights through withholding any compensation due the Distributor. This right of setoff shall not constitute It Works!'s exclusive means of recovering or collecting funds due It Works! pursuant to its right to indemnification.

8.8 - Liquidated Damages

In any case which arises from or relates to the wrongful termination of Distributor's Agreement and/or independent business, the parties agree that damages will be extremely difficult to ascertain. Therefore, the parties stipulate that if the involuntary termination of a Distributor's Agreement and/or loss of their independent business held to be wrongful under any theory of law, Distributor's sole remedy shall be liquidated damages calculated as follows:

- For Distributors at the Active Rank Distributor through Emerald, liquidated damages shall be in the amount of his/her gross compensation that he/she earned pursuant to It Works!'s Compensation Plan in the twelve (12) months immediately preceding the termination.
- For Distributors at the Active Rank Diamond through Triple Diamond, liquidated damages shall be in the amount of his/her gross compensation that he/she earned pursuant

to It Works!'s Compensation Plan in the eighteen (18) months immediately preceding the termination.

- For Distributors at the Active rank Presidential through Black Diamond, liquidated damages shall be in the amount of his/her gross compensation that he/she earned pursuant to It Works!'s Compensation Plan in the twenty-four (24) months immediately preceding the termination.

Gross compensation shall include commissions and bonuses earned by the Distributor pursuant to It Works!'s Compensation Plan as well as retail profits earned by Distributor for the sale of It Works! merchandise. However, retail profits must be substantiated by providing the Company with true and accurate copies of fully and properly completed retail receipts provided by Distributor to Customers at the time of the sale.

The Parties agree that the foregoing liquidated damage schedule is fair and reasonable.

A Distributor's "Paid As" rank is the rank or title at which they actually qualified to earn compensation under the It Works! Compensation Plan during a pay-period. For purposes of this Policy, the relevant pay-period to determine a Distributor's "Paid As" rank is the pay-period during which the Distributor's business is placed on suspension or terminated, whichever occurs first. The "Paid As" rank differs from the "Title Rank," which is the highest title or rank that a Distributor has ever achieved under the It Works! Compensation Plan.

8.9 - Class Action Waiver

Any action brought by a Distributor shall be brought on an individual basis, and not on behalf of a class or on a consolidated basis. Distributors waive all rights to bring an action against It Works!, its officers, owners, directors, employees and agents as a class or consolidated action.

8.10 - 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 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

Unless a Distributor first contacts the Company regarding the disputed charge, any Distributor or Customer who issues a chargeback is subject to termination. Distributors must work out returns with Customer Service according to the Company return policy. A \$50 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

It Works! 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:

It Works! is required to pre-collect the state and local gross receipts tax on all sales of product shipped to an address in the state.

It Works! 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 pre-collected 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 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 of 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. Any commission balance earned under \$20 that has not yet been paid may be requested in check form.

10.4 - Non-Renewal

A Distributor may also voluntarily cancel his or her Distributor Agreement by failing to renew the Agreement on its anniversary date. Any commission balance earned under \$20 that has not yet been paid may be requested in check form.

10.5 - Revocation of Consent to Contract Electronically

If a Distributor who has consented to

contract electronically revokes his or her consent, the Distributor's Agreement shall be cancelled.

SECTION 11 - DEFINITIONS

Active Loyal Customer — This is a Loyal Customer who is in of or has fulfilled the It Works! Loyal Customer Agreement and who does not share an address with the enroller, any other Distributor, or any other Loyal Customer.

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 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! 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! 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! Compensation Plan. Rank can either be paid-as rank or historic rank.

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 but who is not a Loyal Customer or a Distributor.

Retail Sales —
Sales to a Retail Customer or a Loyal Customer.

Sponsor — See "Enroller" definition.

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! ®

or: It Works! ® Independent Distributor

Example:

Sarah Jones

Independent Distributor, It Works!

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

You are not allowed to use or register It Works! or any It Works! trademarks, product names, or any derivatives, for any Internet domain name, e-mail address, social networking profiles, or online aliases. Additionally, you cannot use or register domain names, e-mail addresses, and/or online aliases that could cause confusion, or be misleading or deceptive in that they cause individuals to believe or assume the communication is from, or is the property of, It Works!. 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 3.2, *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, radio, or television, are to be referred immediately to the Public Relations Coordinator of the Company. This policy is to assure accuracy and consistent public image. Additionally, you are not allowed to proactively contact the media or distribute any form of press release that includes information about 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 or another party acting on your behalf 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 or another party acting on your behalf may not use online auctions to advertise, list, sell or retail the It Works! product line or opportunity. 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.