



STATEMENT OF POLICIES
And
PROCEDURES

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Section 1

CORPORATE MISSION STATEMENT

At XOWii, our mission is to be a highly professional sales organization providing quality products within the health and wellness industry. We empower our family of distributors to strive for the very best in life. We are committed to maintaining a rewarding environment and to achieve the highest possible standards in all that we do.

Section 2

INTRODUCTION

2.1 - Policies and Compensation Plan Incorporated into Independent Distributor Agreement

These Policies and Procedures, in their present form and as amended from time-to-time by the Independent Distributors and XOWii, LLC (hereafter “XOWii” or the “Company”), are incorporated into, and form an integral part of, the XOWii Independent Distributor Agreement. Throughout these Policies & Procedures, when the term “Agreement” is used, it collectively refers to these Policies & Procedures, the XOWii Independent Distributor Agreement, the XOWii Compensation Plan, and the XOWii Business Entity Registration Form (as applicable). These documents are incorporated by reference into the XOWii Independent Distributor Agreement (all in their current form and as amended from time-to-time). It is the responsibility of each Independent Distributor to read, adhere to, and ensure that he or she is aware of and operating under the most current version of the Agreement. When sponsoring or enrolling a new Independent Distributor, it is the responsibility of the sponsoring Independent Distributor to ensure that the applicant is provided with, or has online access to, the most current version of these Policies and Procedures and the XOWii Compensation Plan prior to his or her execution of the Independent Distributor Agreement.

2.2 - Changes to the Agreement

XOWii reserves the right to amend the Agreement from time-to-time, upon the mutual agreement of XOWii and either the Independent Distributor, which agreement may be evidenced by an electronic acceptance by the Independent Distributor to any proposed amendment(s), or by an electronic signature by the Independent Distributor to any proposed amendment(s). By executing the Independent Distributor Agreement, or by accepting any proposed amendment by affecting an electronic acceptance or an electronic signature, an Independent Distributor agrees to abide by all of the terms and conditions of the Agreement. Amendments shall be effective immediately upon acceptance by the Independent Distributor.

2.3 - Changes to the Prices

XOWii reserves the right to change its prices from time-to-time in its sole discretion.

2.4 - Delays

XOWii 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.

2.5 - 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 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.

2.6 - Waiver

The Company never gives up its right to insist on compliance with the Agreement and with the applicable laws governing the conduct of a XOWii Business. No failure of XOWii to exercise any right or power under the Agreement or to insist upon strict compliance by an Independent Distributor with any obligation or provision of the Agreement, and no custom or practice of the parties at variance with the terms of the Agreement, shall constitute a

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

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

Section 3

BECOMING A DISTRIBUTOR

3.1 - Requirements to Become an Independent Distributor

To become a XOWii Independent Distributor, each applicant must:

- i. Be of the age of majority in his or her state of residence, usually eighteen (18) years of age;
- ii. Be a resident of or incorporated in the United States or U.S. Territories or country that XOWii has officially announced is open for business;
- iii. Be properly registered and in good standing with the appropriate jurisdiction, if a Business Entity;
- iv. Have a valid Social Security or Federal Tax ID number;
- v. Have valid, where allowed by law, evidence of identity in the form as and manner as the Company may require;
- vi. Purchase a XOWii Independent Distributor Kit, and pay applicable shipping and handling, unless local law requires the purchase to be optional, in which case it is not required; and
- vii. Submit a properly completed Independent Distributor Agreement to XOWii either in hard copy or in an online electronic format.

3.2 - Acceptance by XOWii

By signing the Independent Distributor Agreement and submitting it to XOWii, each applicant is applying to become an Independent Distributor of XOWii. Each application shall be deemed to have been accepted by the Company when the applicant's information has been input into XOWii's database and where the applicant is otherwise in compliance with the Agreement.

i. XOWii reserves the right to reject any Independent Distributor Agreement. In addition, XOWii will not accept inaccurate or false information, and any incomplete, inaccurate, or unlawful Independent Distributor Agreements are voidable by XOWii at anytime.

ii. It is the responsibility of the Independent Distributor to keep XOWii fully informed of any changes affecting the accuracy of the Independent Distributor Agreement and any subsequent information regarding the Independent Distributor's account information.

iii. Independent Distributor Kits may be purchased from a Sponsor or directly from XOWii. When an Independent Distributor Kit is purchased directly from a Sponsor, the Independent Distributor Agreement must be completed and submitted immediately to XOWii. The Independent Distributor Agreement is subject to acceptance by XOWii as stated in this Section 3.2.

3.3 - No XOWii Product Purchase Required

No person is required to purchase XOWii Products or Sales Tools to become an Independent Distributor, except the requirement that they purchase an Independent Distributor Kit and pay all applicable shipping and handling (unless local law requires the purchase to be optional, in which case it is not required). XOWii will repurchase Resalable Independent Distributor Kits from any Independent Distributor who terminates his or her Independent Distributor Agreement pursuant to the terms of Section 8.2.

3.4 - Independent Distributor Benefits

Once an Independent Distributor Agreement has been accepted by XOWii, the benefits of the XOWii Compensation Plan and the Agreement are avail-

able to the new Independent Distributor as long as the Independent Distributor is in good standing. These benefits shall include the right to:

- i. Sell XOWii Products in accordance with the Agreement;
- ii. Participate in the XOWii Compensation Plan (receive bonuses and commissions, if eligible);
- iii. Sponsor other individuals as Preferred Customers or Independent Distributors into the XOWii Business and thereby, build a Downline Organization and progress through the XOWii Compensation Plan;
- iv. Receive periodic XOWii literature and other XOWii communications;
- v. Participate in XOWii-sponsored support, service, training, motivational and recognition functions (upon payment of appropriate charges, if applicable); and
- vi. Participate in promotional and incentive contests and programs sponsored by XOWii for its Independent Distributors.

3.5 - Term and Renewal of Your XOWii Business

The term of the Independent Distributor Agreement shall be one (1) year from the date of its acceptance by XOWii (subject to prior cancellation or reclassification for inactivity after six (6) months pursuant to Section 11 (the "Term")). An Independent Distributor may renew the Independent Distributor Agreement each year by paying an annual renewal fee equal to Thirty Nine and 95/100th Dollars (\$39.95) on or before the anniversary date of the Agreement (the "Renewal Fee"). If the Renewal Fee is not paid within thirty (30) days after the expiration of the current Term, the Agreement will be canceled. Independent Distributors may elect to utilize the Automatic Renewal Program ("ARP"). Under the ARP, the renewal fee will be charged to the Independent Distributor's credit card on file with the Company.

3.6 - Termination

The Agreement may be terminated by either party as provided in Section 11 below. Upon the termination of the Agreement, the Independent Distributor

shall lose all rights hereunder as set forth in Section 11.1 below. Following the termination of the Agreement, the following provisions of the Policies & Procedures shall survive the termination: Sections 4.6.1, 4.9, 4.10, 4.12, 4.16, 4.33, 8.2, 8.5, 9.1, 9.4, and 9.5.

Section 4

OPERATING A XOWII BUSINESS

4.1 - Conduct by Independent Distributor

Each Independent Distributor must conduct his or her business in a reputable manner and hereby agrees to comply with all federal, state and municipal laws, rules, regulations, and codes of ethics that are binding upon or applicable to Independent Distributor's business operations on behalf of XOWii or arising out of the performance of such operations. Independent Distributor, or anyone engaged directly or indirectly by Independent Distributor, shall have all required permits, licenses, and government approvals from the appropriate jurisdiction necessary to perform the services.

4.2 - Adherence to the XOWii Compensation Plan

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

4.3 - Advertising

4.3.1 - General

All Independent Distributors shall safeguard and promote the good reputation of XOWii and the XOWii Products, along with the marketing and promotion of XOWii, the XOWii Opportunity, the XOWii Compensation Plan, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

To promote both the XOWii Products and the tremendous opportunity XOWii offers, Independent Distributors must use the Sales Tools and support materials produced by XOWii or a XOWii approved affiliate. The Company has carefully designed its XOWii Products, product labels, XOWii Compensation Plan, and promotional materials to ensure that they are promoted in a fair and truthful manner, that they are substantiated, and the materials comply with the legal requirements of federal and state laws.

Accordingly, Independent Distributors must not produce their own literature, advertisements, or sales tools and promotional materials. Independent Distributors may not, under any circumstance, sell or distribute Sales Tools to other Independent Distributors. All Sales Tools must be obtained from the Company.

4.3.2 - Independent Distributor Web Sites

If an Independent Distributor desires to utilize a website to promote his or her business, he or she may do so through the Company's official web site, using official XOWii templates. Alternatively, Independent Distributors who have achieved the rank of Gold or higher may create and publish their own

independently produced websites. However, even if an Independent Distributor has achieved the rank of Gold or higher, all independently produced websites he or she produces must be submitted to the company for pre-approval before they can be used or made public and the Independent Distributor must pay XOWii a fee equal to Two Hundred Dollars (\$200) for the review of the website content. XOWii shall retain the right to refuse the publication of any website for any reason. XOWii further reserves the right to rescind approval for any prior-approved website at its sole and absolute discretion, and Independent Distributors waive all claims for damages or remuneration arising from or relating to such rescission

4.3.3 - Domain Names

Independent Distributors may not use or attempt to register any of XOWii's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain name or for any other reason.

4.3.4 - Trademarks and Copyrights

XOWii will not allow the use of its trade names, trademarks, designs, or symbols by any person, including, without limitation, XOWii Independent Distributors, without its prior written consent. Independent Distributors may not produce for sale or distribution any recorded Company events and speeches without the prior written consent of XOWii, nor may Independent Distributors reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

4.3.5 - Use of XOWii Trademarks and Trade Names

The name of XOWii and other names as may be adopted by XOWii are proprietary trade names, trademarks and service marks of XOWii. As such, these marks are of great value to XOWii and are supplied to Independent Distributors for their use only in an expressly authorized manner. XOWii will not allow the use of its trade names, trademarks, designs, or symbols by any person, including without limitation, XOWii Independent Distributors, without XOWii's express written consent. Use of the XOWii name on any item not produced by the Company is prohibited except as follows:

Independent Distributor's Name
XOWii Independent Distributor

4.3.6 - Media and Media Inquiries

Independent Distributors must not attempt to respond to media inquiries regarding XOWii, XOWii Products, or their independent XOWii Business. All inquiries by any type of media must be immediately referred to XOWii's Compliance Department. This policy is designed to assure that accurate and consistent information is provided to the public as well as maintaining a proper public image.

4.3.7 - Unsolicited Email

XOWii does not permit Independent 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 an Independent Distributor that promotes XOWii, the XOWii Opportunity, or XOWii Products must comply with the following:

- i. There must be a functioning return email address to the sender;
- ii. 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);
- iii. The email must include the Independent Distributor's physical mailing address;
- iv. The email must clearly and conspicuously disclose that the message is an advertisement or solicitation;
- v. The use of deceptive subject lines and/or false header information is prohibited; and
- vi. All opt-out requests, whether received by email or regular mail, must be honored. If an Independent Distributor receives an opt-out request from a recipient of an email, the Independent Distributor must forward the opt-out request to the Company.

XOWii may periodically send commercial emails on behalf of Independent Distributors. By agreeing to the terms of the Agreement, Independent Distributor agrees that the Company may send such emails and that the Independent Distributor's physical and email addresses will be included in such emails as outlined above. Independent Distributors shall honor or opt-out requests generated as a result of such emails sent by the Company.

4.3.8 - Unsolicited Faxes

Except as provided in this Section 4.3.8, Independent Distributors may not use or transmit unsolicited faxes or use an automatic telephone dialing system relative to the operation of their XOWii 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 terms "unsolicited faxes" means the transmission via telephone facsimile of any material or information advertising or promoting XOWii, XOWii Products, its compensation plan or any other aspect of the company which is transmitted to any person, except that these terms do not include a fax or e-mail: (a) to any person with that person's prior express invitation or permission; or (b) to any person with whom the Independent 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 (2) way communication between an Independent Distributor and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding XOWii Products offered by such Independent Distributor; or (b) a personal or familial relationship, which relationship has not been previously terminated by either party.

4.3.9 - Telephone Book Listings

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

4.4 - Business Entities

A corporation, limited liability company, partnership or trust (collectively referred to in this section as a "Business Entity") may apply to be a XOWii Distributor by submitting a Distributor Application and Agreement along with a properly completed Business Entity Registration Form and a properly completed IRS form W-9. The Business Entity Registration Form must be signed by all of the shareholders, members, partners, trustees, or other parties with any ownership interest in, or management responsibilities for, the Business Entity (collectively "Affiliated Parties"). The Business Entity, as well as all Affiliated Parties are individually, jointly and severally liable for any indebtedness to XOWii, compliance with the Agreement, and any and all other obligations required by XOWii.

To prevent the circumvention of Sections 4.24 (regarding sales, transfers, and assignments of a XOWii Business) and 4.4, (regarding Sponsorship Changes), if any Affiliated Party wants to terminate his or her relationship with a Business Entity or XOWii, the Affiliated Party must terminate his or her affiliation with the Business Entity, notify XOWii in writing that he or she has terminated his/her affiliation with the Business Entity, and must comply with the provisions of Section 4.24. In addition, the party foregoing their interest in the Business Entity may not participate in any other XOWii Business for three (3) consecutive calendar months in accordance with Section 4.4.1. If the Business Entity wishes to bring on any new Affiliated Party, it must adhere to the requirements of Section 4.24.

The modifications permitted within the scope of this Section 4.3 do not include a change of sponsorship. Changes of sponsorship are addressed in Section 4.4. There is a Fifty Dollar (\$50.00) fee for each change requested, which must be included with the written request and the completed Independent Distributor Agreement. XOWii may, at its discretion, require notarized documents before implementing any changes to a XOWii Business. Please allow up to thirty (30) days after the receipt of the request by XOWii for processing.

4.4.1 - Changes to a Business Entity

Each Independent Distributor must immediately notify XOWii of all changes relating to the type of Business Entity they utilize in operating their businesses and the addition or removal of business associates. Changes shall be processed only once per year. All changes must be submitted by November 30 to become effective on January 1 of the following year.

4.5 - Change of Sponsor

To protect the integrity of all Downline Organizations and safeguard the hard work of all Independent Distributors, XOWii prohibits changes in sponsorship (a change whereby one Independent Distributor transfers his or her independent XOWii business from under one Sponsor to under another), unless such a change is requested in writing to XOWii, within three (3) business days from the initial acceptance by XOWii of the Independent Distributor Agreement. XOWii will then review the requested change documentation and any supporting evidence, and make a determination as to the final resolution in XOWii's sole discretion.

4.5.1 - Cancellation and Re-application

An Independent Distributor may legitimately change organizations by voluntarily canceling his or her XOWii Business and remaining inactive (i.e., no purchases of XOWii Products for resale, no sales of XOWii Products, no sponsoring of other Independent Distributors or Preferred Customers, no attendance at any XOWii functions, no participation in any other form of Independent Distributor activity, no operation of any other XOWii Business, and no income from the XOWii Business) for three (3) consecutive calendar months. Following the three (3) month period of inactivity, the former Independent Distributor may reapply under a new Sponsor, however, the former Independent Distributor's downline will remain in their original line of sponsorship. XOWii will consider waiving the three (3) month waiting period under exceptional circumstances. Such requests for waiver must be submitted to XOWii in writing.

4.6 - Unauthorized Claims and Actions

4.6.1 - Indemnification

An Independent Distributor is fully responsible for all of his or her verbal and written statements made regarding XOWii Products, services, and the XOWii

Compensation Plan, which are not expressly contained in official XOWii materials, along with any verbal and written statements regarding any competitors of XOWii. Independent Distributors agree to indemnify XOWii and XOWii's directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by XOWii as a result of the Independent Distributor's unauthorized representations, actions, or statements. This provision shall survive the termination of the Agreement.

4.6.2 - XOWii Product Claims

No claims (which include personal testimonials) as to therapeutic, curative or beneficial properties of any XOWii Products may be made except those contained in official XOWii literature, if any. In particular, no Independent Distributor may make any claim that XOWii Products are useful in the cure, treatment, diagnosis, mitigation or prevention of any diseases.

4.6.3 - Income Claims

An Independent Distributor, when presenting or discussing the XOWii Opportunity or the XOWii Compensation Plan to a prospective Independent Distributor, may not make any Income Claims or disclose his or her XOWii income (including the showing of checks, copies of checks, bank statements, or tax records) unless, at the time the presentation is made, the Independent Distributor provides a current copy of the XOWii Income Disclosure Statement (the "IDS") to the person(s) to whom he or she is making the presentation.

In addition, the Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of Income Claims and testimonials made by individuals engaged in network marketing. At this time the Independent Distributors do not have the necessary data to comply with the legal requirements for making Income Claims when presenting or discussing the XOWii opportunity and XOWii Compensation Plan with applicants, such that Independent Distributors may not make any income projections, Income Claims, or disclose their income derived from XOWii in any form.

Until such time as XOWii publishes its official IDS, Independent Distributors shall not make any Income Claims (as defined at Section 12 below) when promoting the XOWii opportunity or the XOWii Compensation Plan. When XOWii publishes its IDS, Section 4.5.4 below shall apply.

4.6.4 - Income Disclosure Statement (IDS)

A copy of the IDS must be presented to all prospective Independent Distributors (someone who is not a party to a current XOWii Independent Distributor Agreement) anytime the Compensation Plan is presented or discussed, or any type of Income Claim or earnings representation is made.

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

When published by XOWii, copies of the IDS will be made available at <http://www.xowii.com>.

4.7 - Commercial Outlets

Except as provided in this Section 4.6, Independent Distributors may not display or sell XOWii Products at any commercial retail or service outlet or establishment. Independent Distributors may display and/or sell XOWii Products and literature at "approved" commercial outlets. An approved commercial outlet is a retail or service outlet or establishment that: a) is owned or managed by an Independent Distributor; b) "sees" customers, patients, or clients on an appointment basis only

4.8 - Trade Shows, Expositions and Other Sales Forums

Independent Distributors may display and/or sell XOWii Products at trade shows and professional expositions. Before submitting a deposit to the event promoter, Independent Distributors must contact the Independent Distributor Services Department in writing for conditional approval, as XOWii's policy is to authorize only one (1) XOWii Business per event. Final approval will be granted to the first Independent Distributor who submits an official advertisement of the event, a copy of the contract signed by both the Independent Distributor and the event official, and a receipt indicating that a deposit for the booth has been paid. Approval is given only for the event specified. Any requests to participate in future events must again be submitted to the Independent Distributor Services Department. XOWii further reserves the right to refuse authorization to participate at any function which it does not deem a suitable forum for the promotion of XOWii Products or the XOWii Opportunity.

4.9 - Conflicts of Interest

4.9.1 - Sale of Competing Goods

Independent Distributors must not sell, or attempt to sell, any competing non-XOWii programs or products to XOWii Preferred Customers or Independent Distributors. Any program or products in the same health and wellness industry as XOWii Products is deemed to be competing, regardless of differences in cost, quality or other distinguishing factors.

4.9.2 - Independent Distributor Participation in Other Direct Selling Programs

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

- i. Independent Distributors shall not display XOWii promotional material, Sales Tools or XOWii Products with or in the same location as, any non-XOWii promotional materials, Sales Tools, or products;
- ii. Independent Distributors shall not offer the XOWii Opportunity or XOWii Products to prospective or existing Retail Customers, Preferred Customers, or Website Customers or Independent Distributors in conjunction with any non-XOWii program, opportunity, or product; and
- iii. Independent Distributors may not offer any non-XOWii opportunity, products, services or opportunity at any XOWii-related meeting, seminar or convention, or within two (2) hours and a five (5) mile radius of the XOWii event. If the XOWii meeting is held telephonically or on the internet, any non-XOWii meeting must be at least two (2) hours before or after the XOWii meeting, and must always be on a different conference telephone number or internet web address from the XOWii meeting.

4.9.3 - Downline Activity (Genealogy) Reports

Downline Activity Reports are available for Independent Distributor access and viewing at XOWii's official web site. Independent Distributor access to their Downline Activity Reports is password protected. All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging solely to XOWii. Downline Activity Reports are provided to Independent Distributors in the strictest confidence and are made available to Independent Distributors for the sole purpose of assisting Independent Distributors in working with their respective Downline Organizations in the development of their XOWii Business. Independent Distributors should use their Downline Activity Reports to assist, motivate, and train their downline Independent Distributors. The Independent Distributor and XOWii agree that, but for this agreement of confidentiality and nondisclosure, XOWii would not provide Downline Activity Reports to the Independent Distributor. An Independent Distributor shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

- i. Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;
- ii. Directly or indirectly disclose the password or other access code to his or her Downline Activity Report;
- iii. Use the information to compete with XOWii or for any purpose other than promoting his or her XOWii Business;
- iv. Recruit or solicit any Independent Distributor or Preferred Customer of XOWii listed on any report, or in any manner attempt to influence or induce any Independent Distributor or Preferred Customer of XOWii, to alter their business relationship with XOWii; or
- v. Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Activity Report.

Upon demand by the Company, any current or former Independent Distributor will return the original and all copies of Downline Activity Reports to the Company immediately upon receipt of the request.

4.10 - Indemnification of XOWii.

Each Independent Distributor indemnifies and holds harmless XOWii, its officers, directors, employees, agents and counsel, from and against any and all liabilities, losses, damages, claims, causes of action, judgments, suits, penalties, and any connected expenses (including reasonable attorneys' fees) that are caused, directly or indirectly, by or as a result of any practice or conduct in relationship to their respective XOWii Business.

4.11 - Cross-Sponsoring

Actual or attempted Cross Sponsoring is strictly prohibited. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, fictitious ID numbers, any straw-man or other artifice to circumvent this policy is prohibited. Independent Distributors shall not demean, discredit or defame other XOWii Independent Distributors in an attempt to entice another Independent Distributor to become part of the first Independent Distributor's Downline

Organization. This policy shall not prohibit a sponsorship change in accordance with Section 4.4.

If Cross Sponsoring is discovered, it must be brought to the Company's attention immediately. XOWii may take disciplinary action against the Independent Distributor that changed organizations and/or those Independent Distributors who encouraged, participated in, or were aware of and took no action to inform XOWii of the Cross Sponsoring. XOWii may also move all or part of the offending Independent Distributor's downline to his or her original Downline Organization if the Company deems it equitable and feasible to do so. However, XOWii is under no obligation to move the Cross Sponsored Independent Distributor's Downline Organization, and the ultimate disposition of the organization remains within the sole discretion of XOWii. Independent Distributors waive all claims and causes of action against XOWii arising from or relating to the disposition of the Cross Sponsored Independent Distributor's Downline Organization.

4.12 - Errors or Questions

If an Independent Distributor has questions about or believes any errors have been made regarding commissions, bonuses, Downline Activity Reports, or charges, the Independent Distributor must notify XOWii in writing within sixty (60) days of the date of the purported error or incident in question. XOWii will not be responsible for any errors, omissions or problems not reported to the Company within sixty (60) days.

4.13 - 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, Independent Distributors shall not represent or imply that XOWii or the XOWii Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

4.14 - Holding Applications or Orders

Independent Distributors must not manipulate enrollments of new applicants and purchases of XOWii Products. All Independent Distributor Agreements, and product orders must be sent to XOWii within seventy two (72) hours from the time they are signed by an applicant or placed by a Retail

time they are signed by an applicant or placed by a Retail Customer, respectively. Any Independent Distributor Agreement not received within the appropriate timeframe will be rejected.

4.15 - Identification

All Independent Distributors are required to provide their Social Security Number, or a Federal Employer Identification Number to XOWii on the Independent Distributor Agreement and, where applicable, the Business Entity Registration Form. Upon enrollment, the Company will provide a unique Independent Distributor Identification Number to the Independent Distributor by which he or she will be identified (the "Independent Distributor Identification Number"). This number will be used to place orders, and track commissions and bonuses.

4.16 - Income Taxes

Each Independent Distributor is responsible for paying local, state/provincial, and federal taxes on any income generated as an Independent Distributor. If a XOWii Business is tax exempt, the federal tax identification number must be provided to XOWii. Every year, XOWii will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who: 1) Had earnings of over Six Hundred Dollars (\$600) in the previous calendar year; or 2) Made purchases during the previous calendar year in excess of Five Thousand Dollars (\$5,000).

4.17 - Independent Contractor Status

It is the express intention of XOWii and the undersigned Independent Distributor that the Independent Distributor act as an independent contractor to XOWii. Nothing in the Agreement shall in any way be construed to constitute Independent Distributor as an agent, employee or representative of XOWii. Independent Distributor is not a purchaser of a franchise or business opportunity. Without limiting the generality of the foregoing, Independent Distributor is not authorized to bind XOWii to any liability or obligation or to represent that Independent Distributor has any such authority. Independent Distributor agrees to furnish (or reimburse XOWii for) all tools and materials necessary to accomplish the objectives of the Agreement and shall incur all expenses associated with performance. Independent Distributor acknowledges and agrees that Indepen-

t Distributor acknowledges and agrees that Independent Distributor is obligated to report as income all compensation received by Independent Distributor from XOWii. Independent Distributor agrees to and acknowledges the obligation to pay all self-employment and other taxes on such income.

XOWii and Independent Distributor agree that Independent Distributor will receive no XOWii-sponsored employment benefits from XOWii. If Independent Distributor is reclassified by a state or federal agency or court as XOWii's employee, Independent Distributor will become a reclassified employee and will receive no employment benefits from XOWii, except those mandated by state or federal law, even if by the terms of XOWii's benefit plans or programs of XOWii in effect at the time of such reclassification, Independent Distributor would otherwise be eligible for such benefits.

4.18 - International Marketing

Because of critical legal and tax considerations, XOWii must limit the resale of XOWii Products and the presentation of the XOWii Business to prospective customers and Independent Distributors located within the United States and U.S. Territories and those other countries that the Company has announced are officially opened for business. Moreover, allowing a few Independent Distributors to conduct business in markets not yet opened by XOWii would violate the concept of affording every Independent Distributor the equal opportunity to expand internationally.

Accordingly, Independent Distributors are authorized to sell XOWii Products and enroll Preferred Customers or Independent Distributors only in the countries in which XOWii is authorized to conduct business, as announced in official Company literature. XOWii Products or Sales Tools cannot be shipped into or sold in any foreign country. Independent Distributors may sell, give, transfer, or distribute XOWii Products or Sales Tools only in their home country. In addition, no Independent Distributor may, in any unauthorized country: (a) conduct sales, enrollment or training meetings; (b) enroll or attempt to enroll Preferred Customers or Independent Distributors; or (c) conduct any other activity for the purpose of selling XOWii Products, establishing a Downline Organization, or promoting

the XOWii Opportunity.

4.19 - Excess Inventory and Bonus Buying

Independent Distributors must never purchase more XOWii Products than they can reasonably use or sell to Retail Customers in a month, and must not influence or attempt to influence any other Independent Distributor to buy more XOWii Products than they can reasonably use or sell to Retail Customers in a month. In addition, bonus buying is strictly prohibited. Bonus buying includes any mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions or bonuses that is not driven by bona fide product purchases by end user consumers. Bonus buying includes, but is not limited to, purchasing XOWii Products through a strawman or other artifice.

4.20 - Adherence to Laws and Ordinances

Independent 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 Independent Distributors because of the nature of their business. However, Independent Distributors must obey those laws that do apply to them. If a city or county official tells an Independent Distributor that an ordinance applies to him or her, the Independent Distributor shall be polite and cooperative, and immediately send a copy of the ordinance to the XOWii Compliance Department.

4.21 - Minors

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

4.22 - One XOWii Business Per Independent Distributor and Per Household

An Independent Distributor may operate or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one (1) XOWii Business. No individual may have, operate or receive compensation from more than one (1) XOWii Business. Individuals of the same family unit may not enter into or have an interest in more than one (1) XOWii Business. A "family unit" is defined as spouses, common-law

couples, life or domestic partners and dependent children partners living at or doing business at the same address.

In order to maintain the integrity of the XOWii Compensation Plan, husbands and wives, common-law couples, and life or domestic partners (collectively “spouses”) who wish to become XOWii Independent Distributors must be jointly sponsored as one (1) XOWii Business. Spouses, regardless of whether one (1) or both are signatories to the Independent Distributor Agreement, may not own or operate any other XOWii Business, either individually or jointly, nor may they participate directly or indirectly (as a shareholder, partner, trustee, trust beneficiary, or any other legal or equitable ownership) in the ownership or management of another XOWii Business in any form.

An exception to the one (1) business per distributor/household rule will be considered on a case-by-case basis if two (2) Independent Distributors marry or in cases of an Independent Distributor receiving an interest in another business through inheritance. Requests for exceptions to policy must be submitted in writing to the XOWii Compliance Department.

4.23 - Actions of Household Members or Affiliated Individuals

If any member of an Independent Distributor’s immediate household engages in any activity, which, if performed by the Independent Distributor, would violate any provision of the Agreement, such activity will be deemed a violation by the Independent Distributor and XOWii may take disciplinary action pursuant to the Agreement against the Independent Distributor. Similarly, if any individual associated in any way with a Business Entity violates the Agreement, such action(s) will be deemed a violation by the Business Entity, and XOWii may take disciplinary action against the Business Entity. Likewise, if an Independent Distributor enrolls in XOWii as a Business Entity, each shareholder, officer, member, partner, or other individual or entity with an ownership interest or management responsibility in the Business Entity shall be personally and individually bound to, and must comply with, the terms and conditions of the Agreement.

4.24 - Requests for Records

Any request from an Independent Distributor or Preferred Customer for copies of invoices, applications, or any other records maintained at XOWii will require a fee of One Dollar (\$1.00) per page per copy. This fee covers the expense of mailing and time required to research files and make copies of the requested records.

4.25 - Sale, Transfer or Assignment of a XOWii Business

Although a XOWii Business is a privately owned, independently operated business, the sale, transfer or assignment of a XOWii Business, and the sale, transfer, or assignment of an interest in a Business Entity that owns or operates a XOWii Business, is subject to certain limitations. If an Independent Distributor wishes to sell his or her XOWii Business, or interest in a Business Entity that owns or operates a XOWii Business, the following criteria must be met:

- i. The Independent Distributor selling, transferring or assigning their XOWii Business must have achieved the rank of Platinum or higher;
- ii. The Company must be offered the right of first refusal (see below) to purchase the business under the same terms pursuant to which the Independent Distributor receives a bona fide offer from a third-party purchaser, transferee, or assignee (except where a spouse or life partner is added or removed from a XOWii Business, in which case the right of first refusal shall be waived);
- iii. The buyer, transferee, or assignee must be disclosed to XOWii and become a qualified XOWii Independent Distributor. If the buyer is an active XOWii Independent Distributor, he or she must first terminate his or her XOWii Business and wait three (3) calendar months before acquiring any interest in a different XOWii Business;
- iv. Before the sale, transfer or assignment can be finalized and approved by XOWii, any debt obligations the selling party has with XOWii must be satisfied; and
- v. The selling party 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 a XOWii Business.

Prior to selling a XOWii Business or Business Entity interest, the selling party must notify XOWii's Compliance Department in writing and advise the same of his or her intent to sell the XOWii Business or Business Entity interest. XOWii reserves the right to request additional documentation that may be necessary to assess the proposed transaction. The written notification must set forth the terms of the proposed sale to the third party and the Company must be given the first right and option to purchase the XOWii Business. If the Company fails to notify the selling Independent Distributor of its intention to purchase the XOWii Business within thirty (30) business days after its receipt of the selling Independent Distributor's notice of intent to sell, the selling Independent Distributor may proceed with the sale to the prospective purchaser upon the same terms provided in the option to the Company and subject to the above-listed requirements. Prior to completing the sale, transfer or assignment to the third party, the selling party must also receive express written consent from the XOWii Compliance Department. No changes in line of sponsorship can result from the sale, transfer, or assignment of a XOWii Business. XOWii reserves the right to refuse the transfer of a XOWii Business for any reason.

4.26 - Separation of a XOWii Business

XOWii Independent Distributors sometimes operate their XOWii Businesses as husband-wife partnerships, regular partnerships, LLCs, corporations, trusts, or other Business Entities. At such time as a marriage may end in divorce or a corporation, LLC, partnership, trust or other Business Entity 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.

During the divorce or entity dissolution process, the parties must adopt one (1) of the following methods of operation:

i. One of the parties may, with consent of the other(s), operate the XOWii Business pursuant to an assignment in writing whereby the relinquishing spouse, shareholders, partners or trustees authorize XOWii to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or

trustees authorize XOWii to deal directly and solely with the other spouse or non-relinquishing shareholder, partner or trustee; or

ii. The parties may continue to operate the XOWii Business jointly on a "business-as-usual" basis, whereupon all compensation paid by XOWii 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 Downline Organization of divorcing spouses or a dissolving Business Entity be divided. Similarly, under no circumstances will XOWii split commission and bonus checks between divorcing spouses or members of dissolving entities. XOWii will recognize only one (1) Downline Organization and will issue only one (1) commission check per XOWii Business per commission cycle. Commission checks 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 Independent Distributor Agreement shall be involuntarily canceled.

If a former spouse has completely relinquished all rights in the original XOWii 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) consecutive 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) consecutive months from the date of the final dissolution before re-enrolling as an Independent Distributor. In either case, the former spouse or business affiliate shall have no rights to any Independent Distributors in their former organization or to any former Preferred Customer, Retail Customer, or Website Customer. They must develop the new business in the same manner as would any other new Independent Distributor.

4.27 - Sponsoring Online

When sponsoring a new Independent Distributor through the online enrollment process, the sponsor may only assist the new applicant in filling out the enrollment materials and may not fill out the enrollment materials on behalf of a new Independent Distributor. However, the applicant must personally review and agree to the online Independent Distributor Agreement, the Policies and Procedures, and the Marketing and Compensation Plan. The sponsor may not fill out the online Independent Distributor Agreement on behalf of the applicant or agree to these materials on behalf of the applicant.

4.28 - Enrolling

All active Independent Distributors in good standing have the right to enroll other applicants into XOWii. Each applicant has the ultimate right to choose his or her own enroller. If two (2) Independent Distributors claim to be the enroller of the same new applicant, then XOWii shall regard the first application received by the Company as controlling.

4.29 - Succession

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

- i. Execute an Independent Distributor Agreement;
- ii. Comply with terms and provisions of the Agreement;
- iii. Meet all of the qualifications for the deceased Independent Distributor's status;
- iv. The devisee must provide XOWii with an "address of record" to which all bonus and commis-

ion checks and one (1) 1099 to the Business Entity.

4.29.1 - Transfer Upon Death of an Independent Distributor

To effect a testamentary transfer of a XOWii Business, the executor of the estate must provide the following to XOWii: (1) an original death certificate; (2) a notarized copy of the will or other instrument establishing the successor's right to the XOWii Business; (3) certified letters testamentary or a letter of administration appointing an executor; (4) written instructions from the authorized executor to XOWii specifying to whom the business and income should be transferred; and (5) a legal opinion providing guidance as to such a transfer.

4.29.2 - Transfer Upon Incapacitation of an Independent Distributor

To effect a transfer of a XOWii Business because of incapacity, the successor must provide the following to XOWii: (1) a notarized copy of an appointment as trustee; (2) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the XOWii Business; and (3) a completed Independent Distributor Agreement executed by the trustee.

4.30 - Telemarketing Techniques

The Federal Trade Commission and the Federal Communications Commission and many states 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 XOWii does not consider Independent 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 federal "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 Eleven Thousand Dollars (\$11,000) per violation).

Therefore, Independent Distributors must not engage in telemarketing in the operation of their XOWii Businesses. The term "telemarketing" means the placing of one (1) or more telephone calls to an individual or entity to induce the purchase of a

XOWii Product, or to recruit them for the XOWii Opportunity. “Cold calls” made to prospective customers or Independent Distributors that promote either XOWii’s Products or the XOWii Opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a prospective customer or Independent Distributor (a “prospect”) is permissible under the following situations:

i. If the Independent Distributor has an established business relationship with the prospect. An “established business relationship” is a relationship between an Independent Distributor and a prospect based on the prospect’s purchase, rental, or lease of goods from the Independent Distributor, or a financial transaction between the prospect and the Independent Distributor, within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect’s purchase of a product.

ii. The prospect’s personal inquiry or application regarding a product offered by the Independent Distributor, within the three (3) months immediately preceding the date of such a call.

iii. If the Independent Distributor receives written and signed permission from the prospect authorizing the Independent Distributor to call. The authorization must specify the telephone number(s), which the Independent Distributor is authorized to call.

iv. 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 (3) 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.

v. Independent Distributors shall not use automatic telephone dialing systems relative to the operation of their XOWii Businesses. The term “automatic telephone dialing system” means equip-

ment that 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.

vi. Independent Distributors shall not place or initiate any outbound telephone call to any person that delivers any pre-recorded message (a “robo-call”) regarding XOWii Products or the XOWii opportunity.

4.31 - Back Office Access

XOWii makes online Back Offices available to its Independent Distributors. Back offices provide Independent Distributors access to confidential and proprietary information, which is the sole proprietary information, intellectual property and trade secrets of XOWii, and may be used solely and exclusively to promote the development of an Independent Distributor’s XOWii Business and to increase sales of XOWii Products. However, access to a Back Office is a privilege, and not a right. XOWii reserves the right to deny Independent Distributors access to the Independent Distributor’s Back Office at XOWii’s sole discretion.

4.32 - Use of XOWii Email

XOWii provides to its Independent Distributors an email system for use by Independent Distributors. The email system is provided to the Independent Distributors as a tool to communicate with other XOWii Independent Distributors, and to promote the sale of XOWii Products and the XOWii Opportunity. Independent Distributors are not allowed to utilize the email system to promote the sale of any non-XOWii products or services, or any non-XOWii program or opportunity.

4.33 - Use of Text Messages

Independent Distributors are not allowed to utilize the mass text messaging systems to promote the sale of any XOWii Products or the XOWii Opportunity.

4.34 - Release of use of Photo, Audio, or Video Image and/or Testimonial Endorsement

XOWii may take photos, audio or video recordings, or written or verbal statements of Independent Distributors at Company events or may request the same directly from Independent Distributors. Each Independent Distributor agrees to and hereby grants to XOWii the absolute and irrevocable right and permission to use, re-use, broadcast, rebroadcast, publish, or republish any such photo, audio, video, or endorsement, in all or in part, individually or in conjunction with any other photograph or video, or any other endorsement, in any current or future medium and for any purpose whatsoever, including, but not limited to, marketing, advertising, promotion and/or publicity; and to copyright such photograph and/or video, in the original or as republished, in the name of the Company, or in any other name.

Regardless of any other agreements or contracts you may have with any other entity, you agree that any use by us as set forth in this section shall be royalty free, is a work made for hire, and is not subject to any other claim. You agree to defend and indemnify XOWii against any claims by any other party arising out of our use of the rights granted herein. You confirm that the information you may give as a testimonial endorsement, or as represented in a photograph, video, or audio is true and accurate to the best of your knowledge. You waive any right you may have to inspect or approve the finished or unfinished product(s), the advertising copy, printed, recorded, photographic or video matter, which may be used in connection with it or any use that may be made of it.

Section 5

RESPONSIBILITIES OF DISTRIBUTORS

5.1 - Change of Address, Telephone, and E-Mail Addresses

To ensure timely delivery of XOWii Products, support materials, and commission checks, it is critically important that the XOWii's files are current. Street addresses are required for shipping since UPS and other delivery services cannot deliver to a post office box. Independent Distributors planning to change their e-mail address or move must amend their contact information through their Back Offices at least two (2) weeks prior to the applicable change to endure proper delivery.

5.2 - Continuing Development Obligations

5.2.1 - Ongoing Training

Any Independent Distributor who sponsors another Independent Distributor into XOWii must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her XOWii Business. Independent Distributors must have ongoing contact and communication with the Independent Distributors in their Downline Organizations. Examples of such contact and communication may include, but are not limited to: newslet-

not limited to: newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Independent Distributors to XOWii meetings, training sessions, and other functions. Upline Independent Distributors are also responsible to motivate and train new Independent Distributors in XOWii Product knowledge, effective sales techniques, the XOWii Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Independent Distributors must not, however, violate any subsection of Section 4.

Independent Distributors should monitor the Independent Distributors in their Downline Organizations to guard against downline Independent Distributors making improper product or business claims, or engaging in any illegal or inappropriate conduct. If an Independent Distributor discovers or is made aware of any violations of the Agreement or of any illegal or inappropriate conduct by another Independent Distributor, the Independent Distributor must disclose the same to XOWii's Compliance

Department immediately, or may be held accountable as an accomplice of the wrongful behavior.

5.2.2 - Increased Training Responsibilities

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

5.2.3 - Ongoing Sales Responsibilities

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

5.3 - Nondisparagement

XOWii wants to provide its Independent Distributors with the best products, compensation plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to the XOWii Compliance Department. Remember, to best serve you, we must hear from you! While XOWii welcomes constructive input, negative comments and remarks made in the field by Independent Distributors about the Company, XOWii Products, or compensation plan serve no purpose other than to sour the enthusiasm of other XOWii Independent Distributors. For this reason, and to set the proper example for their downline, Independent Distributors must not disparage, demean, or make negative remarks about XOWii, other XOWii Independent Distributors, XOWii Products, the XOWii Compensation Plan, XOWii's directors, officers, or employees, or other multi-level marketing, direct sales, or network marketing companies. XOWii reserves the right to take appropriate legal and other action against any Independent Distributor whose actions or statements are made in violation of this Section 5.3.

5.4 - Providing Documentation to Applicants

Independent Distributors must provide the most current version of the Policies and Procedures and the XOWii Compensation Plan to individuals whom they are sponsoring to become Independent Dis-

tributors must provide the most current version of the Policies and Procedures and the XOWii Compensation Plan to individuals whom they are sponsoring to become Independent Distributors before the applicant signs an Independent Distributor Agreement. Additional copies of the Independent Distributor Agreement can be downloaded from XOWii's website.

5.5 - Vendor Confidentiality/Communications

XOWii's business relationships with its marketing alliances, vendors, suppliers, associates, affiliates, consultants, and employees all current and former are confidential, proprietary, and not to be circumvented by any Independent Distributor. No direct or indirect contact shall be allowed with any representative of any supplier or manufacturer of XOWii, except at a XOWii-sponsored event, whereby the representative is present at the request of XOWii or as otherwise expressly permitted in writing by XOWii. Violation of this provision may result in legal claims of damages against the violating Independent Distributor.

5.6 - Reporting Policy Violations

Independent Distributors observing a violation of any term of the Agreement (including these Policies and Procedures) or observing what the Independent Distributor believes to be a violation of any term of the Agreement by another Independent Distributor must submit a written report of the violation or actions believed to be a violation directly to the attention of the XOWii Compliance Department immediately after the discovery of such a violation or perceived violation. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

Section 6

SALES REQUIREMENTS

6.1 - XOWii Product Sales

The XOWii Compensation Plan is based on the sale of XOWii Products to end consumers. Independent Distributors must fulfill personal and Downline Organization 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 Independent Distributors to be eligible for commissions:

i. Independent Distributors must satisfy the Personal Volume and Downline Volume requirements to fulfill the requirements associated with their rank as specified in the XOWii Compensation Plan. "Personal Sales Volume" includes purchases made by the Independent Distributor and purchases made by the Independent Distributor's Preferred Customers and Website Customers.

ii. At least seventy percent (70%) of an Independent Distributor's total monthly personal sales volume must be sold to the Independent Distributor's Preferred Customers, Retail Customers and/or Website Customers.

6.2 - No Territory Restrictions

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

will be maintained by XOWii.

Remember that Retail Customers must receive two (2) copies of the sales receipt. In addition, Independent Distributors must orally inform each Retail Customer of his or her cancellation rights.

ii. At least seventy percent (70%) of an Independent Distributor's total monthly personal sales volume must be sold to the Independent Distributor's Preferred Customers, Retail Customers and/or Website Customers.

6.2 - No Territory Restrictions

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

will be maintained by XOWii.

Remember that Retail Customers must receive two (2) copies of the sales receipt. In addition, Independent Distributors must orally inform each Retail Customer of his or her cancellation rights.

6.3 - Sales Receipts

All Independent Distributors must provide their Retail Customers with two (2) copies of an official XOWii sales receipt at the time of the sale. These receipts set forth the Customer satisfaction guarantee as well as any consumer protection rights afforded by federal or state law. Independent Distributors must maintain all retail sales receipts for a period of two (2) years and furnish them to XOWii at the Company's request. Records documenting the purchases made by an Independent Distributor's Preferred Customers and Website Customers will be maintained by XOWii.

Remember that Retail Customers must receive two (2) copies of the sales receipt. In addition, Independent Distributors must orally inform each Retail Customer of his or her cancellation rights.

Section 7

BONUSES AND COMMISSIONS

7.1 - Bonus and Commission Qualifications

An Independent Distributor must be active and in compliance with the Agreement to qualify for bonuses and commissions. So long as an Independent Distributor complies with the terms of the Agreement, XOWii shall pay commissions to such Independent Distributor in accordance with the XOWii Compensation Plan. The minimum amount for which XOWii will issue a check is Twenty Dollars (\$20.00). If an Independent Distributor's bonuses and commissions do not equal or exceed Twenty Dollars (\$20.00), the Company will accrue the commissions and bonuses until they total Twenty Dollars (\$20.00). A check will be issued once Twenty Dollars (\$20.00) has been accrued.

Notwithstanding the foregoing, all commissions owed an Independent Distributor, regardless of the amount accrued, will be paid at the end of each fiscal year.

7.2 - Adjustment to Bonuses and Commissions

7.2.1 - Adjustments for Returned XOWii Products

Independent Distributors receive bonuses and commissions based on the actual sales of XOWii Products to end consumers. When a product is returned to XOWii for a refund or is repurchased by the Company, either of the following may occur at the Company's discretion: (1) the bonuses and commissions attributable to the returned or repurchased product(s) will be deducted, in the week in which the refund is given, and continuing every pay period thereafter until the commission is recovered, from the upline Independent Distributors who received bonuses and commissions on the sales of the refunded XOWii Products; or (2) the upline Independent Distributors who earned commissions based on the sale of the returned XOWii Products will have the corresponding points deducted from their Downline Volume in the next week and all subsequent weeks until it is completely recovered.

7.2.2 - Pay Card Payment Processing Fees

XOWii will deduct from bonus and commission payment issued to an Independent Distributor an initial pay card issuance fee of Ten Dollars (\$10.00). XOWii will also deduct from each bonus and commission payment issued to an Independent Distributor a pay card load fee of Two Dollars (\$2.00).

7.2.3 - Hard Copy Commission Checks

The Company pays commissions via direct deposit into Independent Distributors' bank accounts or via direct payment onto a Company provided debit card. There is no charge for direct deposit. An Independent Distributor may also request a hard copy check for payment of bonuses and commissions. The Company will deduct a Five Dollar (\$5.00) processing fee from each such hard-copy check issued.

7.2.4 - Tax Withholdings

If an Independent Distributor fails to submit an IRS Form W-9 (Request for Taxpayer Identification Number and Certification) when requested by the Company, XOWii will, at its option: (a) deduct the necessary withholdings from the Independent Distributor's bonus and commission payments as required by law; (b) terminate the Independent Distributor Agreement; or (c) hold all bonus and commission checks until the Form W-9 is submitted by the Independent Distributor.

7.3 - Reports

All information provided by XOWii in online or telephonic downline activity reports, including but not limited to Personal and Downline 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, digital, and mechanical error; the accuracy, completeness, and timeliness of orders; denial of credit card and electronic check payments; returned XOWii Products; credit card and electronic check charge-backs; the information is not guaranteed by XOWii or any persons creating or transmitting the information.

ALL PERSONAL AND DOWNLINE 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, XOWII 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/OR DOWNLINE 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 XOWII 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, XOWII 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 XOWii's online and telephone reporting services and your reliance upon such information is at your own risk. All such information is provided to you "as is". If you are dissatisfied with the accuracy or quality of the information, your sole and exclusive remedy is to discontinue use of and access to XOWii's online and telephone reporting services and your reliance upon the information.

Section 8

PRODUCT GUARANTEES, RETURNS AND INVENTORY REPURCHASE

8.1 - XOWii Product Guarantee

XOWii offers a satisfaction guarantee (less shipping charges) to all customers and all Independent Distributors in good standing with the Agreement. If for any reason a customer or Independent Distributor is dissatisfied with the XOWii Product, he or she may return any XOWii Products that he or she purchased that are un-opened and in Resalable condition that were purchased within thirty (30) days of the return date. The refund shall be equal to ninety percent (90%) of the purchase price. Shipping and handling charges incurred by the Independent Distributor or customer when the XOWii Products were purchased or returned will not be refunded.

8.2 - Return of Inventory and Sales Aids by Independent Distributors Upon Cancellation

Upon cancellation of an Independent Distributor's Agreement, the Independent Distributor may return Independent Distributor Kits, XOWii Products and required Sales Tools that he or she personally purchased from XOWii (purchases from other Independent Distributors or third parties are not subject to refund) and which are in Resalable condition and which have been purchased within one (1) year prior to the date of cancellation. Upon receipt of a Resalable Independent Distributor Kit and/or Resalable XOWii Products and Resalable required Sales Tools, the Independent Distributor will be reimbursed ninety percent (90%) of the net cost of the original purchase price(s). Shipping charges incurred by an Independent Distributor when the Independent Distributor Kit, XOWii Products or required Sales Tools 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 an Independent Distributor was paid a commission based on a product(s) that he or she purchased, and such product(s) is subsequently returned for a refund, the commission that was paid based on that product purchase will be deducted from the amount of the refund.

the refund.

8.2.1 - Montana Residents

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

8.3 - Non-Required Sales Tools

XOWii will not issue any refund for any non-required Sales Tools purchased by an Independent Distributor from XOWii. Only Independent Distributor Kits and any other required Sales Tools (if any) will be refundable pursuant to Section 8.2 above.

8.4 - Rejected XOWii Products

If you order XOWii Products and then refuse delivery, your order is subject to a restocking fee and other procedures for returns identified herein, and XOWii reserves the right to charge the Independent Distributor or customer any additional shipping charges associated therewith.

8.5 - Procedures for All Returns

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

- i. All merchandise must be returned by the Independent Distributor or customer who purchased it directly from XOWii.
- ii. All XOWii Products to be returned must have a return authorization number, which is obtained by calling the Independent Distributor Services Department. This return authorization number must be written on each carton returned.
- iii. All XOWii Products must be un-opened and in Resalable condition.
- iv. The return is accompanied by:

- a. a completed and signed consumer return form; and
- b. a copy of the original dated retail sales receipt.
- v. 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 XOWii shipping pre-paid. XOWii does not accept shipping-collect packages. The risk of loss in shipping for returned product shall be on the Independent Distributor or customer. If any returned product is not received by the Company's Distribution Center, it is the responsibility of the Independent Distributor to trace the shipment.

- vi. If an Independent Distributor is returning merchandise to XOWii that was returned to him or her by a personal Retail Customer, the product must be received by XOWii within ten (10) days from the date on which the Retail Customer returned the merchandise to the Independent Distributor, and must be accompanied by the sales receipt the Independent 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 9

DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

9.1 - Disciplinary Sanctions

Violation of the Agreement, 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 an Independent Distributor that, in the sole discretion of the Company may damage its reputation or goodwill (such damaging act or omission need not be related to the Independent Distributor's XOWii Business), may result, at XOWii's discretion, in one (1) or more of the following corrective measures:

- i. Issuance of a written warning or admonition;
- ii. Requiring the Independent Distributor to take immediate corrective measures;
- iii. Imposition of a fine, which may be withheld from bonus and commission checks;
- iv. Loss of rights to one (1) or more bonus and commission checks;
- v. XOWii may withhold from an Independent Distributor all or part of the Independent Distribu-

tor's bonuses and commissions during the period that XOWii is investigating any conduct allegedly violative of the Agreement. If an Independent Distributor's business is canceled for disciplinary reasons, the Independent Distributor will not be entitled to recover any commissions withheld during the investigation period;

- vi. Suspension of the individual's Independent Distributor Agreement for one (1) or more pay periods;
- vii. Involuntary termination of the offender's Independent Distributor Agreement;
- viii. Suspension and/or termination of the offending Independent Distributor's XOWii website or website access;
- ix. Any other measure expressly allowed within any provision of the Agreement or which XOWii deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Independent Distributor's policy violation or contractual breach; and/or
- x. In situations deemed appropriate by XOWii,

the Company may institute legal proceedings for monetary and/or equitable relief.

9.2 - Grievances and Complaints

When an Independent Distributor has a grievance or complaint with another Independent Distributor regarding any practice or conduct in relationship to their respective XOWii Businesses, the complaining Independent 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 Sponsor. If the matter involves interpretation or violation of Company policy, it must be reported in writing to the Independent Distributor Services Department at the Company. The Independent Distributor Services Department will review the facts and attempt to resolve it.

9.3 - Mediation

Prior to instituting any arbitration the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement or any practice or conduct in relationship to their XOWii Business through non-binding mediation. One (1) 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 shared fees and costs at least ten (10) days in advance of the mediation. Each party shall pay its own attorneys fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in the City of San Diego, California and shall last no more than two (2) business days.

9.4 - Arbitration

If mediation is unsuccessful, any dispute, claim or controversy arising out of or relating to this Agreement, any practice or conduct in relationship to their XOWii Business, or the breach, termination, enforcement, interpretation or validity of this Agreement, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Diego, California, before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Streamlined Arbitration Rules and Procedures, or by another provider of alternative dispute resolution by mutual agreement of the parties. The decision of the arbitrator shall be final and binding on the parties. The arbitrator's decision is to be provided to the parties in writing, setting forth the legal and factual basis for the decision. In making his or her decision, the arbitrator shall have no authority to add to or modify the parties' agreements and shall apply applicable law. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude the parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. Independent Distributors waive all rights to trial by jury or to any court. The prevailing party shall be entitled to receive from the losing party costs and expenses of arbitration, including legal and filing fees. This agreement to arbitration shall survive any termination or expiration of the Agreement.

The parties and the arbitrator shall maintain the confidentiality of the entire arbitration process and shall not disclose to any person not directly involved in the arbitration process:

- i.** The substance of, or basis for, the controversy, dispute, or claim;
- ii.** The content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery in arbitration;
- iii.** The terms or amount of any arbitration award; or
- iv.** The rulings of the arbitrator on the procedural and substantive issues involved in the case.

9.5 - Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in San Diego County, State of California. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of California shall govern all other matters relating to or arising from the Agreement.

9.5.1 - Louisiana Residents

Notwithstanding the foregoing, and the arbitration provision in Section 9.4, residents of the State of Louisiana shall be entitled to bring an action against XOWii in their home forum and pursuant to Louisiana law.

Section 10

PAYMENT AND SHIPPING

10.1 - Returned Checks

All checks returned by an Independent Distributor's bank for insufficient funds will be re-submitted for payment. A Twenty Five Dollars (\$25.00) returned check fee will be charged to the account of the Independent Distributor. After receiving a returned check from a customer or an Independent Distributor, all future orders must be paid by Credit Card, money order or cashier's check. Any outstanding balance owed to XOWii by an Independent Distributor for NSF checks and returned check fees will be withheld from subsequent bonus and commission checks.

10.2 - Restrictions on Third Party Use of Credit Cards and Checking Account Access

An Independent Distributor shall not permit other Independent Distributors or customers to use his or her credit card, or permit debits to their checking accounts, to enroll or to make purchases from the Company.

10.3 - Sales Taxes

In designing the XOWii Opportunity, one of our guiding philosophies has been to free Independent Distributors from as many administrative, operational, and logistical tasks as possible. In doing so, Independent Distributors are free to concentrate on those activities that directly affect their incomes, namely product sales and enrollment activities. To these ends, XOWii relieves Independent Distributors of the burdens of collecting and remitting sales taxes, filing sales tax reports, and keeping records relative to sales taxes.

By virtue of its business operations, XOWii is required to charge sales taxes on all purchases made by Independent Distributors, Preferred Customers, and Website Customers, and remit the taxes charged to the respective states. Accordingly, XOWii will collect and remit sales taxes on behalf of Independent Distributors, based on the suggested retail price of the XOWii Products, according to applicable tax rates in the state or province to which the shipment is destined. If an Independent Distributor has submitted, and XOWii has accepted, a current Sales 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 Independent 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 XOWii is not retroactive.

Section 11

INACTIVITY, RECLASSIFICATION, AND CANCELLATION

11.1 - Effect of Cancellation

So long as an Independent Distributor remains active and complies with the terms of the Agreement, XOWii shall pay commissions to such Independent Distributor in accordance with the XOWii Compensation Plan. An Independent Distributor's bonuses and commissions constitute the entire consideration for the Independent Distributor's efforts in generating sales and all activities related to generating sales (including building a Downline Organization). Following an Independent Distributor's non-renewal of his or her Independent Distributor Agreement, cancellation for inactivity, or voluntary or involuntary cancellation of his or her Independent Distributor Agreement (all of these methods are collectively referred to as "cancellation"), the former Independent Distributor shall have no right, title, claim or interest to the Downline Organization which he or she operated, or any commission or bonus from the sales generated by the organization. **An Independent Distributor whose business is cancelled will lose all rights as an Independent Distributor. This includes the right to sell XOWii Products and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Independent Distributor's former downline sales organization. In the event of cancellation, Independent Distributors agree to waive all rights they may have, including but not limited to property rights, to their former Downline Organization and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former Downline Organization.**

Following an Independent Distributor's cancellation of his or her Independent Distributor Agreement, the former Independent Distributor shall not hold himself or herself out as a XOWii Independent Distributor and shall not have the right to sell XOWii Products or services. An Independent Distributor whose Independent 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 preceding an involuntary cancellation).

11.2 - Involuntary Cancellation

An Independent Distributor's violation of any of the terms of the Agreement, including any amendments that may be made by XOWii in its sole discretion, may result in any of the sanctions listed in Section 9.1, including the involuntary cancellation of his or her Independent Distributor Agreement. Cancellation shall be effective on the date on which written notice is mailed, emailed, faxed, or delivered to an express courier, to the Independent Distributor's last known address, email address, or fax number, or to his/her attorney, or when the Independent Distributor receives actual notice of cancellation, whichever occurs first.

XOWii reserves the right to terminate all Independent 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 XOWii Products via direct selling.

11.3 - Voluntary Cancellation

An Independent Distributor has the right to cancel the Agreement at any time, regardless of the reason. Cancellation must be submitted in writing to the Company at its principal business address. The written notice must include the Independent Distributor's signature, printed name, address, and Independent Distributor I.D. Number. If an Independent Distributor is a participant in the Company's Autoship Program at the time of cancellation, the Autoship Agreement shall remain in full force and effect and the former Independent Distributor shall be reclassified as a Preferred Customer, unless the Independent Distributor also requests that his or her Autoship Agreement be cancelled.

11.4 - Non-renewal

An Independent Distributor may also voluntarily cancel his or her Independent Distributor Agreement by failing to renew the Agreement upon the expiration of the Term or on any anniversary date thereafter. The Company may also elect not to renew an Independent Distributor's Agreement upon the expiration of the Term or on any anniversary date thereafter.

11.5 - Exceptions to Activity Requirements**11.5.1 - Maternity.**

An Independent Distributor shall be exempt from meeting her Personal Volume and Downline Volume quotas for a period of four (4) months following the birth of a child.

11.5.2 - Military Deployment.

Military personnel shall be exempt from meeting their Personal Volume and Downline Volume quotas during the term of deployment into a foreign country.

Section 12

DEFINITIONS

Active Independent Distributor – An Independent Distributor who satisfies the minimum Personal Sales Volume requirements, as set forth in the XOWii Compensation Plan, to ensure that he or she is eligible to receive bonuses and commissions.

Active Rank – shall mean the current rank of an Independent Distributor, as determined by the XOWii Compensation Plan, for any given week. To be considered “active” relative to a particular rank, an Independent Distributor must meet the criteria set forth in the XOWii Compensation Plan for his or her respective rank.

Agreement – shall mean the contract between the Company and each Independent Distributor, which includes the Independent Distributor Agreement, the Policies and Procedures, the XOWii Compensation Plan, and the Business Entity Registration Form (where appropriate), all in their current form and as amended. These documents are collectively referred to as the “Agreement.”

Autoship Program – shall mean the program whereby the Company automatically ships products to Independent Distributors or Preferred Customers. When a customer participates in the Autoship Program, the customer is referred to as a “Preferred Customer”.

Back Office – shall mean the password protected section of the official XOWii website that is available for access by Independent Distributors in good standing only. Through the Back Office Independent Distributors can view their Downline Activity, update their contact information, download and print promotional materials, access Independent Distributor-only information and materials from the Company, and manage their independent XOWii Businesses.

Business Entity Registration Form – shall mean a supplemental form that corporations, limited liability companies, partnerships, trusts, and other business entities must complete and provide to XOWii when they register as Independent Distributors.

Cancel – shall mean the termination of an Independent Distributor’s business. Cancellation may be either voluntary, involuntary, through non-renewal or inactivity.

Cross Sponsoring – shall mean the enrollment or attempted enrollment of an individual who or entity that already has a current Preferred Customer or Independent Distributor Agreement on file with XOWii, or who has had such an agreement within the preceding three (3) calendar months, within a different line of sponsorship.

Customer – shall mean an individual or entity that purchases XOWii Products, but who is not an Independent Distributor, or an immediate household family member of an Independent Distributor. Preferred Customers, Retail Customers, and Website Customers are all different types of customers. When the lower-case term “customer” is used in these Policies and Procedures, it refers collectively to Preferred Customers, Retail Customers and Website Customers.

Downline Activity Reports – shall mean a report prepared by XOWii providing information relating to the identities of Independent Distributors, sales information, and Sponsorship activity of Independent Distributors in each Independent Distributors Downline Leg. These reports are confidential trade secrets and the proprietary information of XOWii and are not to be disclosed to any third parties.

Downline Leg – shall mean each one (1) of the individuals enrolled immediately underneath an Independent Distributor and their respective Downline Organizations.

Downline Organization – shall mean the Preferred Customers and Independent Distributors sponsored below a particular Independent Distributor.

Downline Volume – shall mean the commissionable value of XOWii Products or services sold by an Independent Distributor’s Downline Organization. (Independent Distributor Kits and Sales Tools have no Sales Volume.)

Immediate Household – shall mean the heads of household and dependent family members residing in the same house.

Income Claim – The terms “income claim” and/or “earnings representation” (collectively “Income Claim”) include: (1) statements of actual earnings; (2) statements of projected earnings; (3) statements of earnings ranges; (4) income testimonials; (5) lifestyle claims; and (6) hypothetical claims. 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 XOWii income exceeded my salary after six (6) months in the business,” or “our XOWii Business has allowed my wife to come home and be a full-time mom” also fall within the purview of “lifestyle” claims.

Independent Distributor – shall mean an individual or entity whose Independent Distributor Agreement has been accepted by XOWii and is otherwise in good standing under the Agreement.

Independent Distributor Agreement – shall mean the online or offline document that an individual enters into when he, she or it registers to become a XOWii Independent Distributor.

Independent Distributor Kit – shall mean a selection of XOWii at-cost training materials and business support literature that each new Independent Distributor is required to purchase, except in such jurisdictions where the requirement to purchase such an item is unlawful in which case such an item shall not be required to be purchased.

Level – shall mean the layers of downline Preferred Customers and Independent Distributors in a particular Independent Distributor’s Marketing Organization. This term refers to the relationship of an Independent

Distributor relative to a particular upline Independent Distributor, determined by the number of Independent 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.

Official XOWii Material – shall mean the literature, audio or video tapes, and other materials developed, printed, published and distributed by XOWii to Independent Distributors.

Personal XOWii Production – shall mean the moving of XOWii Products or services to an end consumer for personal use.

Personal Volume (PV) – shall mean the commissionable value of services and XOWii Products purchased in a rolling four (4) week period: (1) by the Independent Distributor; (2) by the Independent Distributor’s Preferred Customers and Website Customers.

Preferred Customer – shall mean an individual or entity, who is not also an Independent Distributor, who agrees to an automatic monthly shipment of XOWii Products pursuant to the Autoship Program.

Rank – shall mean the “title” that an Independent Distributor has achieved pursuant to the XOWii Compensation Plan.

Recruit – shall mean 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 XOWii Independent Distributor or Preferred Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity.

Resalable – XOWii Products, Independent Distributor Kits, and Sales Tools shall be “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) it is returned to XOWii within one (1) year from the date of purchase. Any merchandise that is clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resaleable.

Retail Customer – shall mean an individual or entity that purchases XOWii Products from an Independent Distributor, but who is not an Independent Distributor, or an immediate household family member of an Independent Distributor.

Retail Sales – shall mean sales to a Retail Customer, Preferred Customer, or Website Customer.

Sales Tools – shall mean any audio or visual device used to promote the XOWii Products and/or XOWii opportunity in any manner. These Sales Tools may be in any form, including, but not limited to items in print, in an electronic format, clothing or any other items with the XOWii logo, or Official XOWii Material.

Sponsor – shall mean an Independent Distributor who enrolls a Preferred Customer or another Independent Distributor into the Company, and is listed as the Sponsor on the Preferred Customer Agreement or the Independent Distributor Agreement. The act of enrolling others and training them to become Independent Distributors is called “sponsoring.”

Upline – shall mean the Independent Distributor or Independent Distributors above a particular Independent Distributor in a sponsorship line up to the Company. Conversely stated, it is the line of sponsors that links any particular Independent Distributor to the Company.

Website Customer - shall mean an individual or entity, who is not also an Independent Distributor, who purchases XOWii Products through an Independent Distributor’s XOWii website or through the Company’s official website using an Independent Distributor’s I.D. Number.

XOWii – shall mean XOWii, LLC, a California limited liability company.

Addendum A

XOWii Code of Ethics

XOWii prides itself on being a value-based company and strives to be the leader in quality of character at the corporate level and at the Independent Distributor level. The code of ethics outlined below (the “Code of Ethics”) helps XOWii ensure that a uniform standard of excellence is maintained throughout the company. Each behavioral section of the Code of Ethics is material to the Agreement and incorporated therein. By executing the Independent Distributor Agreement, each Independent Distributor agrees to adhere to the following ethical behavior while operating their XOWii Business. Each Independent Distributor agrees to:

1. Actively work to establish and maintain a retail customer base;
2. Be respectful of every person that they meet while operating their XOWii Business and while acting in their capacity as an Independent Distributor;
3. Conduct themselves and their business in an ethical, moral, legal, and financially sound manner;
4. Not engage in any actions that may bring disrepute to XOWii, any XOWii corporate officer or employee, themselves, or any other Independent Distributors;
5. Not to make any discouraging or disparaging statements or claims toward other Independent Distributors, and refrain from using negative language or defamatory statements while operating their XOWii Business;
6. Act with the utmost honesty and truthfulness in each Independent Distributors representation of the XOWii Products and to not make any claims relating to the health benefits of the XOWii Products that may violate any law;
7. Provide support and encouragement to each Independent Distributor’s Downline Organization and to customers that will ensure that their relationship with XOWii is a satisfying experience, such that terms and conditions of any sale is unambiguous;
8. Provide follow-up service to each Independent Distributor’s Downline Organization in order to assist them and their efforts to build steady retail sales and build their Downline Organizations;
9. Be forthright and provide a clear understandable explanation of the Marketing and Compensation Plan and the income potential related thereto, when the Marketing and Compensation Plan is discussed. Each Independent Distributor further agrees not to use their own income as an example of others’ potential success, or use compensation earnings as marketing materials. In addition, an Independent Distributor will only disclose their income to a Recruit after they have provided the Recruit with an official XOWii Income Disclosure Statement (IDS);
10. Only contact potential recruits and customers during reasonable hours and will avoid being intrusive;
11. Discontinue any sales presentation upon the request of any recipient;
12. Take all necessary steps to protect the private information of all the Independent Distributor’s customers and Downline Organizations;
13. Respect the lack of knowledge and/or experience on the part of any customer, Recruit, or Independent Distributor;
14. Not abuse the trust and confidence of any customer, Independent Distributor, or Downline Organization, nor shall an Independent Distributor exploit their age, illness, lack of knowledge, unfamiliarity with language, or mental capacity; and
15. Abide by all of the terms and conditions of the Policies & Procedures.