

RANDOLPH & JAMES FLAX MILLS LTD. (R&J)

STATEMENT OF POLICIES, PROCEDURES and DEFINITIONS

relating to:

Independent Northern Edge® Direct Distributorships AND FORMING PART OF THE Independent Northern Edge® Direct Distributorship Agreement

STATEMENT OF POLICIES:

1. Becoming an “Independent Northern Edge® Direct Distributor (INEDD).
 - a) To become an INEDD, a person must be sponsored by an INEDD, sign and submit an Independent Northern Edge® Direct Distributor Agreement and pay a \$30.00 INEDD enrollment fee (plus \$2.10 GST) for the cost of enrollment, product information and other literature and services that INEDDs receive throughout the year. INEDDs may purchase product directly from the company at the appropriate INEDD discount, use, market and resell Northern Edge® Milled Flaxseed and sponsor new INEDDs. You do not become an INEDD until R&J accepts your Independent Northern Edge® Direct Distributor Agreement. Any purchases of product inventory, sales aids, literature or supplies is optional.
 - b) In order to remain an INEDD, R&J requires the payment of an annual renewal fee of \$25.00 CDN. Renewal notices will be included with newsletters the month prior to the renewal date.
 - c) Only authorized INEDDs may sell Northern Edge® products or participate in the R&J INEDD Sales Program.

2. Obligations of INEDDs.

As an independent contractor, the INEDD shall:

- a) Abide by any and all federal, provincial, municipal and local laws, rules, and regulations pertaining to the INEDD Agreement and/or the acquisition, receipt, holding, selling, distributing or advertising of Northern Edge® products. INEDDs may not make any claims or representations relating to compensation made, pursuant to the Independent Northern Edge® Distributor Compensation Plan, by themselves or by other INEDDs.
 - b) At the INEDD’s own expense, make, execute or file all such reports and obtain such licenses as are required by law with respect to his/her Independent Northern Edge® Direct Distributor business.
 - c) Be solely responsible for declaration and payment of all local, provincial, federal and general taxes and fees as may apply because of the INEDD’s activities in connection with his/her Independent Northern Edge® Direct Distributorship.
- #### 3. Trade Name and Advertising Restrictions.
- a) INEDDs may not use the Northern Edge® trade name or any trademark registered to R&J, except in advertising published by R&J and made available to INEDDs by R&J. INEDDs shall not create, publish or distribute any literature, materials or merchandise representing R&J or its products other than that which is provided by R&J and listed on the INEDD’s Price List.
 - b) No claims as to therapeutic or curative properties about the products may be made except those officially approved in writing by the Company or as contained in the official Company literature. In particular, no INEDD may make any claim that the Company products are useful in the treatment or cure of any disease. Such statements can be perceived as medical claims.

4. Inventory Loading Prohibited.

The Northern Edge® program is built upon sales to the end consumer. INEDDs are strictly prohibited from purchasing products solely for the purpose of qualifying for commissions, bonuses or advancement under the Compensation Plan. INEDDs may not inventory load or encourage others to inventory load.

5. Independent Northern Edge® Direct Distributor Responsibilities.

An INEDD must perform bona fide supervisory and leadership functions in the sale of Northern Edge® products to the end consumer and in the training and motivation of INEDDs with the intent to increase sales in his/her marketing organization.

6. Sale or Transfer of Business.

Prior written approval from R&J is required to sell, assign or transfer any Independent Northern Edge® Direct Distributorship.

7. Election to Cancel Agreements.

An INEDD may cancel his/her INEDD Agreement for any reason, at any time, by giving written notice to R&J bearing his/her signature, printed name, address and Northern Edge® Identification Number. Cancellation is effective upon receipt. Notice should be mailed to R&J at 1529 – 4 Ave. W., Prince Albert, Sask., S6V 5H3 or they may be faxed to R&J at (306) 922-3529.

If an INEDD who wishes to cancel has purchased products while an INEDD Agreement was in effect, all products in a resalable condition then in the possession of the INEDD which have an expiry date at least 7 months in the future shall be repurchased by R&J. The repurchase price shall be at a price of not less than 90% of the original net cost to the INEDD less any freight, commissions or bonuses paid by R&J on such products.

8. Provincial and GST Taxes.

Currently, no taxes apply to Northern Edge® Milled Flaxseed. However, as an independent contractor, should the laws change, INEDDs are responsible to pay all applicable taxes in accordance with applicable laws.

9. Re-activation/Re-enrollment Requirements.

When an inactive INEDD becomes re-activated he/she will re-enter the organization in his/her original position below his/her INEDD. An INEDD who has been inactive for six consecutive months has the option to enroll with the INEDD of his/her choice. An INEDD who cancels shall be permitted to enroll under the INEDD of his/her choice only after six months following the date on which his/her written cancellation was received by R&J.

10. Customer Satisfaction Guarantee.

If, for any reason, any personal customer is not completely satisfied with any Northern Edge® product, the INEDD who sold the product will replace it without charge or refund the total purchase price upon its return within 60 days of purchase by the personal customer. R&J will exchange or refund the total purchase price paid by the INEDD for any product returned to the INEDD by a personal customer under this policy.

If, for any reason, any INEDD is not completely satisfied with any product purchased from R&J, R&J will replace it without charge or refund the total purchase price upon its return within 60 days of purchase. R&J may charge back commissions or bonuses paid on product on which customers or INEDDs receive refunds.

11. Ordering.

a) Orders may be placed by telephone, mail or fax. All phone or fax orders must be paid by Visa. Orders placed by mail may be paid by cheque, money order or Visa. When paying with a credit card, please include card number and expiry date. Cheques returned for insufficient funds will be charged a \$20.00 fee and may be cause for cancellation of the INEDD Agreement. R&J is not responsible for any errors or delays caused by the mail or fax transmission or, for non-receipt of orders.

b) In order to place a new order, a distributor must certify on each product order placed through R&J, that at least 70% of all products previously purchased have been sold. For purposes of this rule, a sale may include a purchase for personal or family use.

12. Northern Edge® Identification Number.

An INEDD's identification number will be the Social Insurance Number or if the INEDD is a corporation, the identification number will be the corporation's Federal Tax ID Number.

13. Calendar Month Creditation.

All orders and other documents are credited to the calendar month in which they are received by R&J. We encourage you to order early in the month.

14. Proper Completion of Documents.

All agreements and forms must be completely and properly filled out and signed. R&J will not be responsible for loss of commissions or bonuses, nor delays in INEDD registration or orders due to:

- a) Errors by INEDDs in preparing or sending agreements, orders or other documents.
- b) Delays or errors caused by the mail, fax transmission or for non-receipt of documents.
- c) Inability of INEDDs to reach R&J by phone or fax during peak calling periods.

15. Inheritability of Business.

An INEDD business may be inherited pursuant to a valid will or other appropriate document, or in accordance with the laws of the province in which the INEDD resides. Any person who inherits an INEDD business must furnish R&J with proper documentation, execute an INEDD Agreement and abide by R&J's Statement of Policies.

16. Record Keeping for Tax Purposes.

All INEDDs should keep accurate records of all business related expenses, such as phone calls, supplies, postage, sales meeting expenses, travel, meals, lodging, advertising, gasoline, accounting, interest on business loans, contract labour and any other business expenses that might be claimed as deductions for reporting income tax.

17. Transfer from Original Organization.

R&J strongly discourages the transfer of INEDDs from one organization to another. Under no circumstances may an INEDD transfer without the written consent from all levels of management above the INEDD all the way back to R&J. R&J must then also approve the transfer.

INEDDs may not circumvent these requirements by enrolling into a different organization using their spouse's Social Insurance Number or a Business Tax I.D. Number. Doing so will result in termination.

18. Involuntary Cancellation of INEDD Agreement

An INEDD's violation of any of the terms and conditions of the INEDD Agreement, or any part of this Statement of Policies, or any unethical business conduct may result, at R&J's discretion, in forfeiture of business and commission cheques, loss of all or part of his/her marketing organization or cancellation of his/her INEDD Agreement. Cancellation shall be effective on the date written notice is mailed, via certified mail, return receipt requested to the INEDD's last known address or when the INEDD receives actual notice of cancellation, whichever comes first.

19. Effect of Cancellation of INEDD Agreement.

Voluntary or involuntary cancellation of an INEDD Agreement will result in the INEDD's loss of all rights to his/her marketing organization. An INEDD whose Agreement is cancelled shall receive commissions and bonuses only for the last full calendar month prior to cancellation. An INEDD whose Agreement has been cancelled shall not represent himself/herself as an INEDD.

20. Training.

INEDDs will receive training by reading R&J's sales material, product information and other company literature. Training will also be provided by other INEDDs and company training sessions from time to time.

21. Cheques and Monthly Business Report.

Cheques are mailed on or about the 15th of each month for commissions and bonuses earned during the previous month. Each INEDD qualifying for a commission or bonus will receive a monthly business report showing the status of each INEDD in his/her marketing organization. The monthly business report will show the calculation of the INEDD's commission and bonus in detail. INEDDs should use their monthly business reports to manage, motivate, supervise and train their marketing organizations.

22. Delivery of Goods.

Orders for products will usually be processed by R&J within 24 hours of receipt. Shipments will be via Parcel Post Expedited and delivery may be expected with 3-7 days in Canada and 10-14 days to the US.

A current schedule of shipping and handling charges for one case, two cases and four cases of Northern Edge® Milled Flaxseed shipped to a single address appears on the INEDD Price List. The schedule is subject to change depending on fluctuations in the postal rate.

23. Errors or Omissions.

In case of errors or questions about commissions, bonuses, monthly business reports, orders or charges, notify R&J immediately. R&J will not be responsible for any errors, omissions or problems not reported within 60 days.

24. Leadership by INEDDs.

It is the INEDD's responsibility to lead his/her marketing organization with the proper example in the production of personal retail sales. Without this proper example and leadership, the INEDD will lose his/her right to receive commissions and bonuses from his/her marketing organization. Therefore, INEDDs who do not personally produce a minimum volume of \$75.00 CDN during a month will not receive a commission or bonus on their marketing organization that month.

25. Rollup Policy.

In the event that an inactive INEDD loses his/her marketing organization, the INEDD in the first management level of the inactive INEDD's organization who has the highest group volume during the preceding month will be moved up to fill the vacancy.

26. Club Membership not Forfeited.

An INEDD can lose his/her active \$5000, \$10,000, \$20,000, or \$40,000 Club status and therefore, the right to participate in the corresponding organizational bonus if he/she no longer qualifies for that bonus. They do not, however, forfeit the title or the rank. Once a \$5000 Club member, always a \$5000 Club member, once a \$10,000 Club member, always a \$10,000 Club member, etc.

27. Restrictions on International Marketing.

INEDDs are authorized to sell Northern Edge® products and sponsor INEDDs only in the countries in which R&J is authorized to conduct business as announced from time to time in official company literature.

No INEDD may, in any unauthorized country:

- a) Conduct sales, enrollment or training meetings.
- b) Enroll or attempt to enroll INEDDs.
- c) Conduct any other activity for the purpose of establishing a Northern Edge® marketing organization.

28. Amendments to the Compensation Plan, Statement of Policies and/or INEDD Agreement.

Upon notification to INEDDs, R&J may, at its discretion, amend the Compensation Plan, Statement of Policies, Definitions, and/or Terms of the INEDD Agreement. By signing the INEDD Agreement, INEDDs agree to abide by any such amendments.

29. This Agreement shall be governed by the laws of the Province of Saskatchewan.

DEFINITIONS:

Active INEDD:

An INEDD who personally produces at least 1 case (12 x 425 g. packages) of Northern Edge® Milled Flaxseed per month.

Consumer/Customer:

A person who purchases Northern Edge® products for the purpose of consuming rather than for resale to someone else.

Marketing Organization:

The consumers/customers and INEDDs that your business services.

Personal Sales:

Sales which an INEDD makes to a consumer/customer.

Personally Produce:

To personally produce, an INEDD must do more than just purchase product, he/she must also move it to the consumer/customer.

Suggested Retail Price:

The price R&J suggests an INEDD charge for the product he/she sells to personal customers. This is a suggestion only! INEDDs are free to sell products to personal customers at any price they wish.