



ECTA Client Membership Agreement

What is ECTA?

ECTA of Canada was formed specifically to research and apply relevant and appropriate regulations, as codified in Canadian law, which govern the sale of electronic cigarettes. Electronic cigarettes are neither legally-definable as medicinal products, nor as tobacco products. ECTA is and will continue researching and compiling all the relevant regulatory law for general consumer products. These have been brought together into the Industry Standard of Excellence (ISE) guidebook, which will be supplied to our members as well as to government enforcement agents. We audit our members bi-annually using the ISE guidebook as the compliancy standard. The guidebook presents the legal and regulatory standards that are relevant to electronic cigarettes into one simplified book, clearly defining e-cigs as consumer products.

ECTA is supported and works alongside the UK/EU based ECITA – Electronic Cigarette International Trade Association. ECTA currently employs Paul L. Bergen (MSc., M.L.I.S.) who is continuing our research into the policies and regulations set forth by the existing laws in Canada. (Paul has been active in tobacco harm reduction since 2005).

ECTA's membership is made up of Canadian electronic cigarette vendors and manufacturers who are committed to full legal compliance and the highest possible standards of product quality, safety, customer service, and excellent business practices in all areas.



The Industry Standard of Excellence

Why was ECTA Formed?

ECTA was created with the intent to help bring about a standard of excellence and facilitate delivery of clearly defined and existing regulations to the electronic cigarette industry. The idea was to gather information and research Canadian laws to allow Canadian Electronic Cigarette businesses to bring their products to the Canadian market as a legitimate and recognized industry. ECTA officially came into existence in November of 2011.

What are ECTA's goals for the future?

We would like to see strong leadership from policy makers, recognizing that e-cigs should be classified as general consumer products, subject to enforcement of the appropriate Canadian consumer protection legislation. We believe that ECTA will continue to have a role in providing self-regulation from within the industry to support government regulators by ensuring that the high standards set by ECTA's members are replicated across the Canadian industry. ECTA is dedicated to bringing the sale of e-cigarettes and e-liquid as a mainstream product, available to all Canadians, while protecting Canadian vendors from unwarranted persecution. By taking the first step to establish an industry compliance standard, ECTA will achieve freedom of choice for vendors and consumers alike.

Key Benefits for Members

- ✓ Complete set of current compliance documentation as set out in the ISE guide
- ✓ Regular liquid testing and resulting reports
- ✓ Stream-lined legally compliant batch system available for member use
- ✓ Support the growth and legitimacy of the Electronic Cigarette Industry in Canada.
- ✓ ECTA Public Awareness Package, to help you spread the word to non-affiliated organizations and individuals. Nonsmoking & vaping

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permitted stickers are available.

- ✓ Support and assistance from ECTA with Customs, Health Canada and other regulatory enforcement agents
- ✓ Access to political campaigning resources to ensure that your business can flourish
- ✓ Access to the ECTA Members website for additional resources and member information
- ✓ The ability to develop and take on distributor members whom will have access through you, to harness the same ethical and compliant products and procedures set forth by ECTA.
- ✓ You will be listed on www.ecatofcanada.com as a compliant ECTA Client member
- ✓ Clients will recognize ECTA members as having the highest standard in product quality and safety, increasing client loyalty and confidence.
- ✓ Peace of mind. Following ECTA standards will ensure you have the best defense possible against unwarranted claims/demands from Health Canada.

Requirements to become an ECTA Client Member

We must ensure that all ECTA members – whether Founding Members, Distributor Members or Client Members – are committed to maintaining the highest possible standards in their business affairs. Membership can only be offered to Client members willing to work within the framework set out by ECTA. In order to maintain ECTA's standard for excellence, we have established the following rules to govern Client members:

1. Participation in ECTA of Canada will be available to all vendors of Electronic Cigarettes, eliquid and/or accessories, subject to our Code of Conduct and payment of the applicable fees. All ECTA approved businesses are required to pay fees (including the founding members) - which are used to cover operating expenses incurred on behalf of each business.

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2. To qualify as a Client member you may only carry products that meet the standards as set forth in the regulatory frame work of the ISE guide. All Products relating to e-cigs or e-liquid outside of this range cannot be sold as they would not be legally compliant under Canadian regulation.
3. All Client members have a one (1) year grace period, from the date of joining, to align your products and procedures to meet the required ECTA standards.
4. Members are required to maintain a compliance file as directed by the ECTA ISE guide, which includes maintaining a batch system, and product certifications & testing results to be made available to regulatory enforcement agents on request.
5. Client membership remains valid as long as the member upholds all requirements & conditions set out by ECTA.
6. A one-time startup fee of \$450.00 is to be paid upon being accepted as a client member. This fee covers initial set up costs, first month membership fee and the ISE guide itself.
7. A monthly membership payment of \$100.00 per month must be paid in full and on time. Several payment options are available, Payment instructions can be found on the ECTA Members website (<http://member.ectaofcanada.com>). Membership fees are subject to change (with 30 day advanced notice) based on a majority vote by the founding board of directors.
8. Members are required to have a product certification book or file on hand at any and all locations where applicable products are sold (including: Home, Retail locations, and trade shows).
9. Failure to comply with ECTA compliance standards may result in sanctions ranging from Compliance level downgrades to dismissal as a Client member. The sanctions imposed will depend on the frequency and severity of the failure.
10. If possible, an ECTA member logo should be displayed where clients can see it.
11. Ensure ECTA is notified of any changes, potential challenges or problems as soon as they arise, so that the ECTA team can assist you in a timely manner.

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12. Members must adhere to and abide by the code of conduct as seen on the ECTA website: <http://ectaofcanada.com/Code%20of%20Conduct.pdf>
13. Members must sign and adhere to the non-disclosure agreement provided by ECTA. Any significant or deliberate breach of ECTA agreements will be reviewed by the Board of Directors and may result in legal action against the offending company.

ECTA Committee

Occasionally, ECTA may call for volunteers from the Client and Distributor Members to serve on a committee to perform specific collaborative efforts or tasks. Participation as a Committee member is strictly voluntary but once a member agrees to participate they are expected to work towards completion of the committee task. A committee would be expected to act without supervision or direction from ECTA and results to be presented to the Board. A committee member volunteer is expected to:

1. Be an active member of ECTA
2. Commit to the assigned tasks of the committee.
3. Report to the Board member in charge of the specific committee.
4. Relay any unresolvable discrepancies or concerns to the Board Chair.

Client Member Expectations

Meetings:

Occasionally, ECTA may call for an all hands general meeting of Client and/or Distributor members. All meetings that are scheduled by ECTA are voluntary. Each meeting is important and has set objectives as laid out in the pre meeting agenda.

Confidentiality:

Confidential information must remain confidential. If a Member is unsure of what confidentiality includes, please review the Non-Disclosure Agreement that was signed with ECTA Research and Action Canada Inc. If there is a breach of confidentiality, the Chair should be notified and the Board is required to discuss the breach to ensure it does not happen again. If the breach is severe, Board approved sanctions may be applied.

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Compliance and Testing fees:

All expenses involving the implementation and maintenance of compliance standards are the sole responsibility of each member. Compliance implementation expenses include any expense associated with applying ECTA standards into the member company's operation (Lab testing, infrastructure development etc..). These expenses will vary from member to member. It is expected that any e-liquid testing fees will be paid prior to the tests being performed.

Audits

All ECTA Members (Founding, Client and Distributor) are subject to the same regular audits of their website(s), businesses and business practice standards as applicable. Audits will be performed as per the schedule/standards defined in the ECTA ISE guidebook. For the purposes of this document, a member should expect website audits via "secret shopper" to be performed bi-annually and on-site audits to occur annually. Members will be notified in advance for on-site audits but will not necessarily have knowledge of when a website audit might occur until the results are presented. Resellers and manufacturers of E-Liquid should expect to submit samples for testing bi-annually.

All audit results are confidential between the auditor and the member except in the case of severe or repetitive violation where sanction may be required. In those instances, only those results that are required will be presented to the Board of Directors.

Compliance Levels

ECTA has established 3 levels of compliancy based on the member's progress towards achieving full compliancy as defined in the ISE guidebook:

Bronze – This level is defined as a member that has initiated but not yet completed basic compliancy (All new members start as Bronze).

Silver – This level is defined as having achieved the basic compliance standards (See compliance checklist for the standards required to achieve this level)

Gold – This level is defined as having achieved all compliance standards

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ALL Compliance levels remain subject to regular compliance audits as defined in the ISE guidebook.

Policy enforcement and Board sanctions

It is a foreseeable possibility that ECTA will need to be able to enforce set policy and issue sanctions for any violations of ECTA agreements. ECTA may implement Sanctions and other enforcement action to avoid a legal case whenever possible.

Enforcement includes setting and meeting compliance due dates and any other set requirements. Enforcement will be primarily automatic and passive, its primary goal is to motivate rather than punish. An example of enforcement is by attaching positive benefits for achieving a set goal/deadline while setting a detrimental effect for missing the goal/deadline. Compliance and other goals are enforced by setting a due date with a benefit to achieving said due date. If the due date is not achieved, the said member will not benefit from its completion. In addition there may be a detriment attached, such as a compliance level hold or downgrade. Enforcement will be set by the board for every new standard or practice at the time it is approved and applied. Continuous violation of enforcement measures may lead to board approved sanctions.

Board approved sanctions are used in extreme situations only. Their primary purpose is to avoid said extreme situations by establishing known consequences (sanctions) to serious violations

Examples of violations that warrant sanction include but not limited to:

- Willing and/or continued neglect of compliance standards after receiving 3 or more warnings in a 6 month period
- Clear breach of signed ECTA agreements
- Breach of the ECTA Code of Conduct

Board approved Sanctions:

1. Temporary suspension of account, resulting in blocked access to ECTA materials, information, and support. Time period to be set by the board based on the severity of the breach. This action requires a majority vote to enact (violating Member excluded from vote).

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2. Membership Suspension, resulting in the removal of your logo from the website, removal of ECTA Member Authorization links or stickers. This action can last no more than 30 days. This action requires a unanimous vote to enact (violating Member excluded from vote).

3. Membership termination is the most severe sanction. This action can only be used when there is a severe or continual violation of any ECTA agreement. This action will require a unanimous vote by the Board to enact (violating Member excluded from vote). Membership termination will result in forfeiture of all fees and membership payments up to and including the month of termination. Membership termination does NOT release the member from the terms of the non-disclosure agreement between the member and ECTA Research and Action Canada Inc.

Changes

Changes and amendments to this membership agreement are expected and may be required at any time. In the event that a change is required, Members will be notified by means provided on the membership application, ECTA website and/or other mechanism 30 days prior to the implementation of that change.

I _____, representing _____
Printed Name Business Name

hereby understand and accept the terms and conditions of this agreement.

Signature

Date

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