

**Winning Brands Corporation**  
Issuer Disclosure Statement (IDS)  
January 31, 2010

**Part A**      **General Company Information**

**Item I**      **Exact Name of the Issuer and its Predecessor**

The issuer name, Winning Brands Corporation, was chosen to coincide with the reverse merger between the issuer and Niagara Mist Marketing Ltd (an Ontario private corporation). In this IDS, the term “issuer” and the names “Winning Brands Corporation” and “Winning Brands” are used interchangeably. The Merger began in May 2005 with the authorization by the shareholders of Niagara Mist Marketing Ltd (“Niagara Mist”), and then subsequently the authorized representatives of Global e Tutor, Inc., to proceed with the transaction at such time as arrangements could be finalized, with a formal closing date set for January 1, 2006. A variety of existing and new consumer brand initiatives were intended to be developed in subsequent years under the new umbrella name Winning Brands, in order to leverage the experience of Niagara Mist to create high quality speciality cleaning & cosmetic formulations as brand concepts, with an emphasis on cleaning solutions, but not exclusively so. The net effect of the Merger was that Niagara Mist was acquired by the issuer, and paid for through the issuance of shares of Winning Brands Corporation to the former shareholders of Niagara Mist. The result was that the original shareholders of Niagara Mist became shareholders of Winning Brands Corporation instead of Niagara Mist, and experienced a reduction in their percentage ownership of Winning Brands as a result of the existence of public shareholders of the issuer. The original percentage held by the Niagara Mist Marketing shareholders has been further reduced with subsequent financing. No shares of Winning Brands have been sold by any original Niagara Mist shareholder since the Merger came into effect up to and including January 31, 2010. Protection of voting rights in Winning Brands for the original shareholders of Niagara Mist is described subsequently in this IDS.

The issuer’s prior name history is as follows:

- Incorporated in Delaware May 9, 1995 as Essex Enterprises, Inc
- December 12, 1996 - Veronique, Inc.
- April 13, 1999 - Digital Launch, Inc.
- February 3, 2000 - Global e Tutor, Inc.

**Item II Address of the Issuer's Principal Executive Offices**

11 Victoria Street, Suite 220A  
Barrie, Ontario, Canada  
L4N 6T3  
(705) 737-4062 Tel  
(705) 737-9793 Fax  
[www.WinningBrands.ca](http://www.WinningBrands.ca)  
[www.WinningBrands.com](http://www.WinningBrands.com)

**Item III Jurisdiction and Date of the Issuer's Incorporation or Organization**

Delaware: May 9, 1995

**Item IV Name and Address of the Transfer Agent**

Island Stock Transfer  
100 Second Avenue South, Suite 705S  
St. Petersburg, Florida 33701  
(727) 289-0010 Tel  
(727) 289-0069 Fax

Island Stock Transfer is registered with the U.S. Securities and Exchange Commission.

**Item V Nature of the Issuer's Business**

**A. Business Development**

1. The issuer is a corporation;
2. The issuer, Winning Brands Corporation, was incorporated in 1995, however the operating entity which it acquired as at January 1, 2006, Niagara Mist, also known as "The Soap Factory", was incorporated in January 18, 1977 in the Province of Ontario. This provides the issuer with a continuous operating history since 1977.

Niagara Mist became the wholly owned subsidiary of Winning Brands Corporation. Niagara Mist is the entity with the longest continuous operations within Winning Brands' corporate history. The activity of Niagara Mist was the reason for its acquisition by the issuer and therefore became the core business of Winning Brands Corporation. It continues to have the primary impact on the nature of the issuer's business. Winning Brands Corporation, through this operating subsidiary, manufactures eco-responsible cleaning solutions for use in homes and in industry.

The issuer's primary business objective is to create and market advanced cleaning solutions that achieve "best in class" stature by various measurement criteria. The issuer has a special interest in formulations which can be considered "eco-responsible", meaning safer than traditional products in the category, that improve continuously to

diminish undesirable environmental or health effects. The need for this in the marketplace arises from the fact that many cleaning products still contain chemicals that were introduced before today's greater awareness and concern for environmental matters. Technical performance of Winning Brands' products is also key, and an important factor in development strategy. Winning Brands' principal products are listed in elsewhere in this document. The widespread use of these products, compared to traditional solvents, can reduce the release by consumers of substances into the natural environment that bio-degrade poorly. The issuer does not profess to be the final authority on environmental matters, but rather seeks to integrate the latest research findings into its formulations strategy to supplement its accumulated and distinct know how.

3. This issuer's fiscal year end is December 31<sup>st</sup>;
4. Neither the issuer, nor its subsidiary, has been in bankruptcy, receivership or any similar proceeding;
5. Since the Merger, there has been no material classification, subsequent merger, consolidation, purchase or sale of a significant amount of assets;
6. In December 2006, Winning Brands became a guarantor of payments that were to be made by Sentinel Capital of Newmarket, Ontario to 1093942 Ontario Ltd totalling \$360,000 as repayment of a loan by 1093942 Ontario Ltd (a non affiliated lender) to Niagara Mist for the purpose of operating capital. This \$360,000 was to be repayment of an investment loan, including interest, finders' fees and professional fees. Sentinel was to retire the loan on behalf of the issuer in consideration for the right to participate in future public financing of the issuer. As of the date of this Issuer Disclosure Statement, Sentinel has not made its repayment to 1093942 Ontario Ltd. It is unlikely that Sentinel will be in a position to do so. Accordingly, the issuer is responsible for the repayment of the loan made by 1093942 Ontario Ltd. to its subsidiary. This repayment is scheduled to be completed during 2010, by which time the payments in their entirety will have amounted to \$440,000 reflecting forbearance considerations. The issuer has chosen from time to time to accept an offer of settlement in stock in lieu of cash. The shares of the issuer issued and outstanding fully reflect any such offers of settlement. There is no affiliation relationship between any persons in Winning Brands management, board of directors, staff or controlling shareholders with any persons connected to 1093942 Ontario Ltd to the best knowledge of both parties, and therefore constituting an arm's length relationship. The item is included in the financial statement category of Current Liabilities, Loans Payable – Working Capital.
7. Since the Merger, there has been no material change in voting control because of a provision in the Merger for the allocation of 10 Million Preferred shares with voting rights of 500 votes per share effective January 1, 2006 to XMG Corporation (or its assignees); XMG Corporation is the party which exercised majority voting control of Niagara Mist shares when it was a private corporation on May 27, 2005. The Preferred shares have

the effect of protecting voting control by XMG Corporation as a condition of XMG Corporation's consent to the acquisition of Niagara Mist by the issuer, because the acquisition required the relinquishment by XMG of its entire holding of shares of Niagara Mist in favour of the issuer. If all 5 Billion authorized shares of Winning Brands became issued and outstanding, the Preferred shares would hold 50% vote vis à vis the common shares. The Preferred shares are convertible into common shares of the issuer on a 1:1 basis, i.e. 10 Million Preferred shares are convertible to 10 Million common shares. XMG Corporation is an Ontario private corporation, incorporated in May 2001 by Eric Lehner, who remains a 50% shareholder of XMG, its CEO and Chair. XMG was incorporated in order to distribute key products of Niagara Mist which were, in the opinion of Eric Lehner, under-marketed relative to their potential. It was also anticipated in 2001 that the original founders of Niagara Mist would be nearing retirement within the near future. It was felt by Mr. Lehner that a distributor, even though initially small, could better gain the insights and relevant experience to eventually effect a mutually beneficial acquisition.

8. Since the date of the Merger January 1, 2006 to the date of this filing, January 31, 2010, the number of Winning Brands common shares issued and outstanding changed from 200 Million to 1,413,823,353, of which 162,221,355 are restricted, leaving a float of **1,251,601,998 free trading shares**. The issuance of these shares was for the purpose of raising working capital under provisions of Regulation D, Rule 504 and in partial settlement of debt held by non-affiliated parties as provided for in Rule 144. No Regulation D, Rule 504 financing, nor debt settlement has been carried out with any affiliated parties. Relative to 2006, 2007 and 2008, the rate of dilution had decreased in 2009.
9. Since the Merger, there has been no stock split, no stock dividend, no subsequent merger, no corporate acquisition, no spin-off or reorganization. Recapitalization is ongoing in order for the issuer to utilize working capital to supplement borrowings where possible. Borrowings are made when suitable to diminish dilution and may be made increasingly to mitigate dilution in the face of the likely need for additional capital in 2010 and beyond to fund significant business opportunities. Financing under the provisions of Regulation A, or Regulation S, has been considered; however, no such arrangements are currently in place.
10. Winning Brands Corporation is a non-reporting issuer. Its securities have not been listed by a securities exchange but are quoted by quotation services. In the United States, the trading symbol is WNBD and in Frankfurt is WMU.
11. The issuer is not subject to any past, present or pending trading suspension by a securities regulator. The issuer has no open legal proceedings.

## B. Business of the Issuer

1. The issuer's Standard Industrial Classification Code (SIC) is 28410000 – Manufacturer of Soap and Other Detergents.
2. The issuer is currently conducting operations.
3. The issuer is not considered a "shell" company pursuant to the Securities Act, Rule 405.
4. The issuer, Winning Brands Corporation, has one subsidiary – Niagara Mist. As of December 31, 2009, Niagara Mist had its production facilities in St. Catharines, Ontario at 188 Bunting Road. These facilities have been winding down in favour of increased use of contract manufacturing in the USA and Canada to achieve greater economies of scale in production, more sophisticated quality assurance, greater excess capacity for anticipated eventual steep growth in demand and to focus resources on the development of intellectual property and marketing. The value of production assets has been reduced through maximum utilization of capital cost allowance and outright sale, and will become a minor factor in the issuer's asset mix. To date, the purpose of this subsidiary had been to manufacture the cleaning solutions itself, however, Niagara Mist is increasingly accomplishing production by third parties. In 2010, a minor production facility will be created in Barrie, Ontario to replace the facility in St. Catharines. The Barrie facility will perform testing, prototyping, and small-scale production of unusual sizes. The administrative office of Niagara Mist is at the same address as the parent company, Winning Brands Corporation, in Barrie, Ontario. The financial statement of Winning Brands Corporation in the IDS includes the operations of Niagara Mist. This is accomplished by means of consolidation.
5. As a manufacturer, there are many government regulations which apply to the issuer's subsidiary, Niagara Mist, and, by extension, to the issuer. These include employee health and safety issues, manufacturing workplace rules and compliance with regulations concerning the use and storage of raw materials, their disposal, and their transportation. Labelling laws and trademark legislation also pertain. However, it is in the nature of eco-responsible products to be less toxic than conventional chemical manufacturing. Accordingly, the issuer is not burdened any more than other manufacturers in the field by such legislation, and possibly less.  
  
No export licenses are required for products in this category to destinations which are otherwise permitted by law. The issuer is not aware of pending legislation which is harmful to its interests.
6. Research and development related costs are approximately \$150,000 per annum, including salary, premises allocation and subcontracting of analytical chemical issues. These costs are reflected in the selling price of the issuer's products.

7. There are no environmental laws (federal, state or local) that have a direct and specific cost to the issuer because the issuer does not deal with chemicals which are considered hazardous in conventional use of the term, notwithstanding that raw materials “concentrates” and MSDS (Material Safety Data Sheet) classifications for special handling purposes may require the use of the term “hazardous” for precautionary instruction.
8. The issuer and its subsidiary have a combination of 18 employees and key operating individuals, of whom approximately half are considered independent contractors for tax purposes.

**Item VI Nature of Products Offered**

**A. *The principle products under development are:***

Consumer

- Winning Colours® Stain Remover (1000+™ in non-English language markets)
- KIND™ Laundry Detergent
- KIND™ Fabric Softener
- KIND™ Laundry Stain Remover
- CLEAN1™ Outdoor Cleaner

Industrial

- TrackMoist™ Dust Suppressant
- ReGuard-4™ Equipment Cleaning for Emergency Responders

Commercial

- Professional Wet Cleaning Solutions

These brands represent the current focus, but are not the only formulations, trademarks and proprietary interests. These products are listed in their three primary classes of trade. The consumer products are targeted for sale at the retail level through stores in various sectors, such as hardware, paint, convenience, and grocery.

The industrial products are targeted for sale through professional property maintenance personnel in the case of TrackMoist™ and distributors to fire fighting organizations in the case of ReGuard-4™.

The commercial products are for use by businesses in their line of work to generate a finished product, with an emphasis on the dry-cleaning sector. For example, Winning Brands’ Professional Wet Cleaning Solutions are now in use aboard most Holland America Line cruise ships to perform cleaning of “Dry Clean Only” garments in substitution of the solvent perchloroethylene (“Perc”). The professional wet cleaning process includes specialized hardware components produced by laundry equipment manufacturers, as well as the cleaning agents from Winning Brands, to constitute the complete system. Various land-based sites now exist utilizing the same process with Winning Brands’ proprietary cleaning agents.

## **B. The Distribution Method:**

For the consumer trade, the issuer manufactures its products for sale primarily through distributors. Distributors serve targeted retailers by means of the distributors' existing infrastructure of sales personnel who call upon targeted retailers across the country. Demonstration of the product to prospective retailers is an important part of the sales process because it provides the prospective retailer with first-hand experience with the product(s) and therefore gives confidence that the products perform as described. Distributors refer to these retailers as their "accounts".

Distributors receive their inventory to supply their accounts from the issuer's manufacturing and operational subsidiary, Niagara Mist. The finished goods are sent directly to distributor warehouse(s). Usually, ownership of the finished product, i.e., title, passes to the distributor once the goods are in the distributors' possession. This inventory is manufactured by Niagara Mist either in its own facilities or in third-party contract manufacturing facilities in the United States and Canada, depending upon volume requirements and package size.

A distributor will typically purchase the issuer's products in skid-lot quantities (hundreds or thousands of bottles at once). Distributors have existing logistics routines with their retail accounts. The distributors provide value-added services to the issuer. They call upon accounts for sales presentations, deliver ordered goods to the accounts who agree to carry the product and then bill those accounts. This value-added service includes holding retailer Accounts Receivables as the distributor's own, with the responsibility to collect from accounts. In consideration for these services, the distributor receives a share of the profit by way of marking up the price they pay the issuer into a higher figure that covers these costs. The resulting marked-up price is then paid by the retailer. Negotiations between the distributors and retailers generally provide for the viability of both entities to earn a sufficient return on their investment. The issuer's business model targets 50% cost of goods sold for its goods sold at the wholesale level. It may be possible to increase this further through economies of scale in production and a successful Direct Response Television ("DRTV") run.

The retailer will typically purchase product in case-lot quantities (dozens of units at once). The retailer will supply the end user (consumer) with individual product units in single quantity at the manufacturer's suggest retail price, or some variation thereof.

Occasionally, Niagara Mist will supply a retail account directly (a "house account"). This is not typical and is done when no distributor is available with the capability of handling all service requirements of the targeted retail account, or when a retailer is sufficiently large that the use of its own internal distribution and merchandising infrastructure represents a duplication of conventional distributor services. Even in the case of a large retailer, the use of a distributor may be justified as a method to reduce listing costs by consolidating Winning Brands offerings with the distributor's other products. This consolidation provides convenience to the retailer by reducing the administrative tasks associated with the maintenance of vendor accounts, when SKU (Stock Keeping Unit) quantities are small.

This model of distribution is applied to the Industrial and Commercial sector with the variation that a higher percentage of the industrial and commercial distributor accounts actually consume the purchased goods themselves in the conduct of their own business, rather than only selling it forward as a conventional retailer would.

For example, in the case of Professional Wet Cleaning solutions, the professional wet cleaners who purchase goods from the distributor that services them are less likely to re-sell the goods than they are to use the goods to finish garments themselves.

As a general principle, the issuer favours the creation and maintenance of mutually beneficial long term strategic alliances in order to foster discussion about the issuer's products, promote their use and to create a broad base of experience with the issuer's products within the retail community.

### **C. Status of Announcements:**

The issuer refrains from announcing possible new products until they can be manufactured because there are many factors beyond the control of the issuer that have a bearing upon the emergence of new products. Accordingly, only products which can actually be manufactured and sold under present conditions are described in the issuer's News Releases. All announcements of new product launches and commercial developments contain cautionary messages alerting the reader to the possibility that sales of the product may not reach targeted levels. The issuer has not been de-listed by any material retailer which had taken the issuer's products into its stores. The issuer refrains from making predictions about business developments or future sales where such possibilities are governed by circumstances substantially beyond its control. The issuer utilizes the timely disclosure network for dissemination of news pertaining to its progress or negative developments, as circumstances warrant. A record of these releases is retained for reference at the issuer's website [www.WinningBrands.com](http://www.WinningBrands.com) in chronological order. The website also contains a dedicated Investor Section in which substantial cautionary messages are made, both in writing and through audio/visual presentation. The presentation reiterates that Winning Brands is a non-reporting issuer and as such may not be a suitable investment for most people. The Investor Section also holds a chronology of shareholder conference calls. The FAQ (Frequently Asked Questions) portion of the Investor Section points out that a number of discussion forums have Winning Brands communities and that correspondence with the company to shareholders may appear in these forums from time to time as posted by the correspondents. Similarly, official issuer responses to questions posed by investor forum moderators may be found at such sites. These things together supplement official due diligence resources.

### **Competitive Business Conditions:**

The marketplace for the issuer's products is highly competitive. Large well-established firms already produce a range of good products which are highly recognized. Several of these organizations have research and development capabilities which eclipse anything to which the issuer will have access in the foreseeable future. The competitors also have well-developed distribution channels, experienced sales personnel and (in most cases) satisfactory relationships with retailers. The cleaning-products sector is one of the most competitive on earth. There is no reason to believe that the primacy of the current trans-national corporations in this category can be overcome. The strongest competitors have continuing access to capital through professional investment operations and can sustain almost any competitive challenge. The reader is cautioned that the competitive environment is highly unfavourable to new entrants.

This competitive environment however is not impenetrable. It contains gaps (“niches”), which are considerable. The largest competitors require large economies of scale and large sales volumes for their brands to remain justified according to a return-on-investment calculation that varies between organizations as to details, but is present in all. The largest competitors only retain the highest volume brands and continually divest challenging brands to smaller more entrepreneurial organizations in order to refresh, or retire them. Smaller, agile competitors, such as the issuer, can produce and sell niche products within the category. While the relative size of such niche products may be assumed to be small by comparison with leading national brands, the absolute dollar potential is highly attractive to new entrants and can provide many suitable openings for innovation and financial rewards. This is particularly true of new products which gain a unique hold within their category and have staying power. The most successful of such new entrants are often acquired by larger firms in due course. Ample precedents of such acquisitions which are relevant to the issuer exist in the cleaning sector.

The issuer counteracts the disadvantages of its small size with creativity in marketing, experimentation with its formulations and subcontracting routine operational functions to reduce costs. This co-existence of the largest companies and the smallest fosters the aforementioned acquisitions of “breakthrough brands” which have emerged from the competitive environment as above average in their performance by key benchmarks, i.e. “winners”. The issuer anticipates that the long term destiny of its key brands may include their acquisition, thus representing one of several possible attractive exit horizons for its current and future investors.

In the field of ice cream, beverages and cleaning products (all industries considered “mature” in terms of saturation), examples exist of strong brand personality and brand appeal having lifted newcomer brands to high public profile and eventual acquisition by the largest competitors. The reader should be cautioned that this is rare as a proportion of all start-ups, and is unlikely to benefit the issuer unless an unusual set of circumstances combine that overcome the significant odds against such success.

The issuer, Winning Brands Corporation, is therefore attempting to launch carefully conceived mass-market products, each of which has the potential on its own merits of becoming a favourite amongst consumers who discover them. This is a time-consuming process and more likely to fail than succeed. Extraordinary circumstances and talent are required to overcome the obstacles and the reader should not assume that any such extraordinary circumstances are likely or even possible in the issuer’s case.

#### ***D. Sources and Availability of Raw Materials:***

The issuer manufactures its advanced cleaning solutions on a trade-secrecy basis. Publishing the names of suppliers constitutes dissemination of commercially confidential information. The reader is cautioned that the unsettled nature of current petroleum prices and refining capacity affects the supply of many raw materials which have a derivative value in the creation of most consumer products and their packaging. The sources and availability of raw materials are a potential source of failure for the issuer. Close relationships exist between the largest manufacturers and largest industrial consumers of ingredients. It should therefore be assumed that the issuer is vulnerable when bidding on commodities. To the extent that the issuer also can and does use materials which are not conventional, these raw materials may be subject to high cost and shortages due to a lack of demand or lack of capacity on the part of the supplier(s). Management cannot be certain that suitable raw materials will always be available in the quantity required to fulfil the business plan.

### ***E. Dependence Upon a Few Major Customers:***

The issuer is not overly dependent upon a few major customers. Winning Brands Corporation has developed a portfolio of customers of various sizes and geographic locations such that the loss of no single customer would have an unmanageable impact, notwithstanding the untoward effect upon the issuer during an adjustment period that the loss of a major customer would cause. To further mitigate over-reliance upon a single customer or a few major customers, the issuer is seeking export arrangements to supply international markets. A small volume of finished product has thus been delivered to Australia, New Zealand, Italy, Germany, India, Mexico, the Caribbean, Ireland and China. Distinct challenges are posed by operations of any kind in foreign markets. Management cannot be certain that it will overcome these challenges as no single market has by itself proven to be a viable long-term proposition. High start-up costs are associated with language issues, transportation, legal representation and advertising in a new market. The reader should make no reliance upon the expectation of the development of these markets. As of December 31, 2009, the following additional international markets were in some form of early stage exploration or development: Belgium, Brazil, Chile, Denmark, France, Ghana, Japan, Jordan, Korea, Norway, Portugal, South Africa, Taiwan, The Netherlands and the United Kingdom (England, Scotland and Wales).

The issuer's lead product, Winning Colours Stain Remover ("Winning Colours") is available in a growing number of independent and chain retailers. Winning Brands provides assistance to consumers to find these retailers by means of its Store Locator function on the company's website, [www.WinningBrands.com](http://www.WinningBrands.com). The retailers on this list are in a continuous state of development and the list is subject to change without notice.

The issuer's business plan calls for the attainment of 5,000 points of sale for Winning Colours as its first operational threshold toward self-sufficiency. This is to be followed by the development of marketing programs to achieve turnover of an average of one bottle per day per outlet. Achievement of both conditions would generate approximately \$8 Million per year in revenue and create momentum. Further revenue growth would arise from a) Increase in store count; b) Increase in turnover per store on a daily basis; and c) Product sales of the issuer's other brands.

Between January 1, 2006 and December 31, 2009 the issuer has achieved 96% of its primary store location objective with approximately 4,800 retail locations at which Winning Colours Stain Remover can be purchased or ordered. It is anticipated that the issuer will achieve 100% of this primary objective in the 1<sup>st</sup> Qtr 2010. The next stage in the realization of the business plan is to increase the turnover of merchandise in stores. The primary determinant of product movement off the shelf is considered to be recognition/recommendation. Consumers who recognize the brand on the shelf, or who receive a recommendation of that brand by a trusted source such as family, friends or store personnel, are more likely to purchase. Accordingly, now that the number of points of sale has increased close to target levels, the issuer will be increasing its advertising and in-store training of retailer personnel. These measures will further reduce reliance upon a few major customers.

## **F. Intellectual Property:**

The issuer favours Trade Secrecy protection over patents for chemical formulations. Patents require a detailed description of the proprietary information for a benefit which is geographically specific, time-limited and costly to enforce. The issuer considers all its products to be governed by Trade Secrecy protocols. Trade Secrecy also permits more rapid and flexible technical accommodations of market opportunities and challenges. Trade secret formulations are a “moving target” competitively, whereas deviation from a published patent by the patent holder moves the activity from the protected status to an unprotected one. Furthermore, even in the event of successful reverse engineering of trade secrets, a vested interest exists for the new holders of the know-how to retain its confidential nature for the same reasons as the previously exclusive holder of the knowledge.

Niagara Mist had earlier registered the name The Soap Factory® for a suite of detergents and cleaners, Winning Colors® (Colours) for its stain remover, Niagara Mist® for its perfume, the contractual official fragrance of the City of Niagara Falls, Canada (prototyped but not yet commercialized), Environmentally Sensitive® and other names. Trademark protection is not limited to names whose registration has been finalized. Various rights are ascribed to parties whose trademarks are in use, identified as trademarks and are in the process of registration. Accordingly, additional trademarks in various stages of protection include Laundry Miracle™ Laundry Booster, Gal Friday™ Laundry Booster, ReGuard-4™ cleaning solutions for emergency responders, KIND™ Laundry Products, CLEAN1™ All Purpose Spray, Choose to Care™ trade style, EcoResponsible™ trade style, TrackMoist™ dust suppressant and others under development but not yet launched.

A licensing arrangement had been in operation between Niagara Mist and XMG Corporation prior to the acquisition of Niagara Mist by Winning Brands. By this license, XMG acquired the worldwide master distributorship for Winning Colours products. Under the license, XMG purchased Winning Colours Stain Remover product from Niagara Mist at a price established at arm’s length by the former owners of Niagara Mist, for the purpose of resale to distributors.

XMG eventually purchased a controlling interest in Niagara Mist and is thus a related company as described elsewhere in the Issuer Disclosure Statement. All dealings between the two organizations remained in accordance with the pre-acquisition pricing. XMG has begun to relinquish its commercial accounts in favour of Niagara Mist such that all sales of Winning Colours Stain Remover to distributors will eventually be made directly from Niagara Mist rather than through XMG. The transfer of accounts is being made in accordance with circumstances that are specific to each account, as it is important that the change in vendor status not interfere with the operations of the account. Completion of the relinquishment of accounts will require retirement of XMG’s guarantees, or the guarantees of its shareholders, to 3<sup>rd</sup> parties either for financing instruments (lines of credit, credit cards), recourse provisions (accounts receivable operating advances), prepaid expenses (e.g. rent security deposit) inuring to the benefit of Niagara Mist, contingent tax liabilities, etc. As a practical matter, during 2010, the majority of sales of Winning Colours Stain Remover will be made by Niagara Mist directly. There is no net financial difference to Niagara Mist in either arrangement, as all sales costs are borne by the entity performing the selling. For the sake of clarity, the consolidated financial statement forming part of the IDS provides total sales and total costs to illustrate the complete impact. No funds received from any sale of any of the issuer’s products by any entity are “off balance sheet”.

The issuer does not currently grant franchises nor is it a franchisee, subject to any overriding concessions (other than override commissions to sales personnel) or royalty agreements. There is no collective agreement between the employees of the issuer and the issuer as their employer. The employment relationship between employees and the issuer are individual and standard for the industry. Compensation for senior management is discussed in PART C, Item XII (A) of the Issuer Disclosure Statement.

#### **G. Government Approval:**

The issuer's products do not require government approval, so long as they have been manufactured and labelled according to the applicable regulations. There are no outstanding actions by any government agency in respect of approval of the products or compliance with manufacturing methods and labelling.

#### **Item VII Facilities**

The issuer utilizes facilities of four types:

- a) Administrative office space for issuer's own use;
  - b) Production facility for its own use;
  - c) Warehouse facilities in a managed environment; and
  - d) Informal use of resources of strategic partners.
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- a) The issuer's business office is approximately 1,800 sq. ft. at 11 Victoria Street, Suite 220A, Barrie, Ontario. Niagara Mist and XMG Corporation are also located at this address. The premises are leased for a five-year term at approximately \$3,700 per month, with reasonable termination provisions to permit adjustment by the issuer of its long-term needs as circumstances evolve. The principle consideration in this determination is whether to combine the business office with production facilities and whether the current administrative space is sufficient for the growth that is anticipated 2010 – 2015.
  - b) The issuer's production facility, operated by Niagara Mist as at December 31, 2009, is approximately 6,000 sq. ft. at 188 Bunting Road, St. Catharines, Ontario. The premises are leased at the rate of approximately \$5,300 per month in a term that is renewing monthly, informally, pending determination by the issuer of its long-term needs. The facility is zoned for industrial manufacturing. It has not yet been decided by what criteria to delineate which production runs are to be performed in-house vs sub-contract assignments to third parties and whether to combine the business office with the production facility. Accordingly, trial third-party contract production has been carried out successfully and evaluated as to cost efficiency, quality control, trade-secrecy protection, security and operating convenience. Primary amongst the third-party contract production partners is Surefil, LLC located at 4560 Danvers Drive, South East in Grand Rapids, Michigan. As at the date of this Issuer Disclosure Statement, the evaluation is still ongoing. The issuer's current production facility does not have state-of-the-art equipment required for high production volumes and is better suited to low volume Stock Keeping Unit (SKU) sizes and prototype development.

It is anticipated that irrespective of the allocation of production as between the issuer's own premises and sub-contracting, the issuer's own production resources will be relocated to Barrie, Ontario during the 1<sup>st</sup> Qtr 2010.

- c) Warehouse facilities in a managed environment provide the issuer with low cost storage and logistics facilities for shipping on a basis that is flexible, yet professional. The Canadian facility presently in use is located at 1280 Courtney Park Drive E, Mississauga, Ontario. It is managed by Synergex Corporation. The issuer pays a variable rate per pallet of product in storage and for each movement of cargo into and out of the facility. The rate is affected by volume and the additional services provided. The issuer has agreed with the supplier to not disclose its individual pricing arrangement. The issuer has determined and warrants that the prices being paid are highly competitive within the industry. In the United States, a similar arrangement exists with Laub International Inc, 1051 Clinton Street Buffalo, New York 14206. This is a 360,000 sq. ft. facility located within 500 miles of 55% of the U.S. population and 60% of the Canadian population. Warehouse facility arrangements are under constant review to ensure that the issuer is able to hold finished goods in a secure environment and deliver them on a timely basis to distributors in different regions. The warehousing arrangements are likely to evolve with the evolving circumstances of product distribution, but are likely to remain similar in concept. This will obviate the need for investment in static storage facilities in favour of dynamic marketing and R&D programs instead, which have a greater bearing on the issuer's customer satisfaction. The term of these warehouse arrangements renews monthly informally.
- d) The issuer does not currently maintain business offices beyond its corporate address, but does have the use of office facilities at the locations of its distributors, who are strategic partners. This includes use of meeting rooms, telephone, fax equipment and internet. There is no cost to the issuer for this arrangement with distributors, with the exception of reimbursement for specific supplies and outlays.

In summary, the issuer's facilities do not currently involve inflexible long-term leases. They are suitable to current requirements and leverage third parties for scalability to meet growing volume. The costs associated with such additional facilities utilization is variable depending upon the circumstances at the time, but competitive in nature.

## **PART B      Share Structure and Issuance History**

### **Item VIII & IX & X      Securities Titles, Descriptions and Statistics**

- *Winning Brands Corporation Common Shares CUSIP 975012105*

Pink Sheets: WNBD, Frankfurt: WMU

Authorized Common shares: 5 Billion; Issued 1,413,823,353 – Restricted 162,221,355 = 1,251,601,998 free trading as at January 31, 2010. There is no dividend currently. It is more likely that the issuer will attempt to repurchase its shares than issue a dividend when operating funds are available for this purpose, as it is management's view that this is more beneficial to shareholder value in this case.

Each common share represents one vote. The common shareholders do not have pre-emption rights in connection with the issuance of new stock, because such new issuance may occur by regulation or statute to sophisticated investors who meet special criteria of risk tolerance and net worth stipulated by authorities. The number of registered common shareholders of record as at January 31, 2010 is 295, of which CEDE & CO is one, representing shares held in bearer form.

Winning Brands Preferred Shares: 10 Million with 500 votes per share, restricted, convertible to common on a 1:1 basis, held by XMG Corporation and its assignees, having the net effect of providing voting control on a fully diluted basis of 50% vis a vis common shareholders.

There is no specific provision in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer.

**Item XI** Securities Offerings and Shares Issued for Services in the Past Two Fiscal Years will be posted subsequently

## **PART C Management and Control Structure**

### **Item XII Management, Board and Control Persons**

*A. Officers and Directors. All persons can be reached at the address of the issuer.*

CEO, Chairman, Director Winning Brands Corporation, Director of subsidiary Niagara Mist: F.N. (Eric) Lehner, B.A. (Economics) Served as CEO Winning Brands Corporation as at January 1, 2006. Prior employment 5 years: (and contemporaneous to date): CEO Niagara Mist from December 31, 2004 and XMG Corporation May 9, 2001. For clarity, Mr. Lehner is currently CEO of the three organizations; the issuer, the issuer's subsidiary, Niagara Mist, and the issuer's master distributor for one of the issuer's products. Mr. Lehner's CEO position in the other organizations pre-dates his newer role as CEO of the issuer, but continues. Beneficial owner of 54,370,000 common shares and 50% of Preferred shares indirectly through XMG Corporation. Compensation of Mr. Lehner by the issuer: See Financial Statement notes.

There has been no conviction in a criminal proceeding or naming as a defendant in a pending criminal proceeding. There has been no order, judgment, decree, suspension by a court that permanently or temporarily bars, suspends or otherwise limits Mr. Lehner's involvement in any type of business, securities, commodities or banking activities. There has been no finding or judgment involving Mr. Lehner by the Securities and Exchange Commission, the Commodities Futures Trading Commission or a state or provincial securities regulator of a violation of federal, state or provincial securities regulator of any securities or commodities law. There has been no order by a self-regulatory organization that bars, suspends or limits Mr. Lehner's business or securities activities.

Mr. Lehner, Mr. Kaethler and Mr. Kelly are shareholders of XMG Corporation (50%, 25% and 25% respectively) in addition to exercising their responsibilities at Winning Brands Corporation and/or its subsidiary. XMG Corporation was a distributor of one of the issuer's products prior to XMG acquiring the controlling interest of Niagara Mist, which in turn became the operating subsidiary of the issuer, Winning Brands Corporation. Mr. Lehner and Mr. Kaethler are also directors of XMG Corporation.

The relationship of XMG Corporation and its officers and shareholders may be considered to create competing interests, notwithstanding that the sole business purpose of XMG Corporation has been to promote and distribute goods for the issuer at prices that were established prior to the reverse merger which created the common shareholding, office and directorship.

The fact that XMG is a private corporation might have created potential competing interests between the growth of the public entity or the private entity. Six measures have been adopted to mitigate this possibility.

- The first measure is that the activities of XMG Corporation are entirely for the benefit of the issuer by virtue of the total exclusivity of XMG's operations to the promotion of the issuer's own product Winning Colours Stain Remover;
- The second measure is that the price payable by XMG Corporation for the Winning Colours Stain Remover product that it purchases from the issuer for distribution was established at arms length between the former owners of Niagara Mist and XMG Corporation and remains within industry standards as between a manufacturer and its distributor;
- The third measure is that all financial transactions between XMG Corporation and the issuer are disclosed in the financial statement of the issuer's subsidiary Niagara Mist, and thereby the issuer through consolidation. There are no intermediary entities. There are five principle reasons that distribution exclusivity between XMG Corporation and the issuer for the product Winning Colours Stain Remover was retained 2006 – 2009:
  1. To acknowledge the development work and expenditures made by XMG Corporation on behalf of the Winning Colours Stain Remover trademark since May 2001 and to provide XMG with the opportunity of recouping its earlier investment through earnings on distribution, rather than through outright compensation by the issuer;
  2. To provide a practical means for the original officers and shareholders to carry on should it become beneficial for the issuer to divest itself of other properties owned by the issuer causing a change in management of the issuer such that it no longer required the services of one or more of the founding officers, but still required their service at the level of the distributor;
  3. To provide better confidentiality (vis a vis competitors) of market strategies for Winning Colours Stain Remover;

4. To provide the brand, Winning Colours Stain Remover, access to greater credit resources at no risk or liability to the brand or the issuer by making it the responsibility of XMG Corporation and its shareholders individually, primarily being Eric Lehner, to provide personal guarantees required by major suppliers or financial institutions;
  5. Notwithstanding the foregoing, as the resources of the issuer grow, a gradual relinquishment of the distribution of Winning Colours Stain Remover by XMG Corporation, in favour of Niagara Mist outright, has begun. A relatively minor continuing specialty distribution of Winning Colours Stain Remover by XMG may be retained in order for XMG to retain its tax reporting status as an active corporation rather than as a holding company.
- The fourth measure to protect the interests of the common shareholders is that the ownership of the trademark Winning Colours Stain Remover belongs to the issuer through its subsidiary Niagara Mist. Any growth in the value of the trademark through expanding listings with retailers and heightened awareness amongst consumers as a result of XMG's work thus entirely benefits the issuer. It is the opinion of management that the issuer's trade secret formulations and trademarks are the principal asset of the issuer. A distributor reliant upon the use of a trademark belonging to the issuer can never supersede the priority of the owner, i.e., the issuer;
  - The fifth measure to safeguard the interests of the issuer within this relationship amongst the shareholders and officers is that all Winning Colours Stain Remover labels identify the issuer and its subsidiary as the manufacturers of the product and owners of said trademark;
  - The sixth is that the issuer's CFO is a professionally accredited accountant, and also acts as the accountant of XMG Corporation in order to ensure that all transactions between XMG and the issuer were reflected in the issuer's financial statement.

The termination of this predecessor relationship may require a make-good payment to XMG Corporation sufficient to compensate XMG Corporation for its accumulated investments in development and branding costs during the period and interest thereupon to date, or lost opportunity cost vis a vis the capital originally deployed by XMG Corporation.

The additional relationship of XMG Corporation to the issuer is of that of XMG holding majority voting control of the issuer. This has the possibility of creating a competing interest between the shareholders of XMG and the interests of the public corporation. For the sake of clarity, Eric Lehner is the principle controlling shareholder of the issuer through this arrangement. Effective control, however, is not a conflict of interest, but rather a straightforward consolidated interest in this case, due to the fact that the voting Preferred shares are restricted and not marketable but rather convertible to common shares only of the issuer, thus aligning the economic interests of the controlling shareholder with the common shareholders of the issuer. The reader is cautioned that the risks associated with an investment in the issuer include the fact that a single decision making party, or limited number, exercise pre-emptive rights. For the sake of clarity, this means that the common shareholders of the issuer will not in the foreseeable future have veto power over the policies of the majority voting Preferred shareholders.

President and Director of issuer subsidiary Niagara Mist: Wilhelm (Bill) Kaethler. B.A. Served as President and Director from May 27, 2005. Reports to the CEO Eric Lehner. Mr. Kaethler's role as President is not full time, but rather part time to provide operating continuity and authority in the event of interruption of service by the CEO. Prior employment 5 years: Executive Director of Real Life Inc. – a licensed group home providing supervision and care to children who are wards of the Province of Ontario. Beneficial owner of 13,592,500 common shares and 25% of the Preferred shares. Employment compensation of Mr. Kaethler by the issuer: None to date. Agreement to defer annual salary of CDN \$24,000 part-time basis or \$50,000 full time basis from May 27, 2005 forward until the issuer attains profitability with the further condition that the payment of the salary cannot become a cause for an operating loss by Niagara Mist. The deferred compensation is a contingent liability, not an accounts payable. The contingent liability (but not a continuing accrual) survives Mr. Kaethler's service at Niagara Mist. His service to date has been on the part-time basis of compensation. There has been no conviction in a criminal proceeding or naming as a defendant in a pending criminal proceeding. There has been no order, judgment, decree, suspension by a court that permanently or temporarily bars, suspends or otherwise limits Mr. Kaethler's involvement in any type of business, securities, commodities or banking activities. There has been no finding or judgment involving Mr. Kaethler by the Securities and Exchange Commission, the Commodities Futures Trading Commission or a state or provincial securities regulator of a violation of federal, state or provincial securities regulator of any securities or commodities law. There has been no order by a self-regulatory organization that bars, suspends or limits Mr. Kaethler's business or securities activities.

Director of Product Training: Clifford Lorne (Lorne) Kelly. Served as Sales Manager from January 1, 2006. Prior employment 5 years: Sales Manager XMG Corporation from May 9, 2001. Beneficial owner of 26,585,000 common shares and 20% Preferred shares. Compensation of Mr. Kelly by the issuer: \$60,000 and agreement to defer annual salary of CDN \$75,000 from January 1, 2006 forward until the issuer is in a position to provide the difference. The deferred compensation is a contingent liability, not an accounts payable. The contingent liability (but not a continuing accrual) survives Mr. Kelly's service at Niagara Mist. There has been no conviction in a criminal proceeding or naming as a defendant in a pending criminal proceeding. There has been no order, judgment, decree, suspension by a court that permanently or temporarily bars, suspends or otherwise limits Mr. Kelly's involvement in any type of business, securities, commodities or banking activities. There has been no finding or judgment involving Mr. Kelly by the Securities and Exchange Commission, the Commodities Futures Trading Commission or a state or provincial securities regulator of a violation of federal, state or provincial securities regulator of any securities or commodities law. There has been no order by a self-regulatory organization that bars, suspends or limits Mr. Kelly's business or securities activities.

VP Production of issuer subsidiary Niagara Mist: Shabir Lalany, P.Eng. served as part-time VP Production from May 27, 2005. Prior employment 5 years: Consultant for governments in ecological and engineering matters. Beneficial owner of 3,000,000 common shares and agreement to adjust quantity on a formula related to dilution. Compensation of Mr. Lalany by the issuer: CDN \$50,000 salary. Agreement to increase salary commensurate with key operating variables such as degree of commitment toward full time, volume of production, volume of sales, profitability and equity incentives to be negotiated. There has been no conviction in a criminal proceeding or naming as a defendant in a pending criminal proceeding. There has been no order, judgment, decree, suspension by a court that permanently or temporarily bars, suspends or otherwise limits Mr. Lalany's involvement in any type of

business, securities, commodities or banking activities. There has been no finding or judgment involving Mr. Lalany by the Securities and Exchange Commission, the Commodities Futures Trading Commission or a state or provincial securities regulator of a violation of federal, state or provincial securities regulator of any securities or commodities law. There has been no order by a self-regulatory organization that bars, suspends or limits Mr. Lalany's business or securities activities.

CFO: Michael (Mike) Kostrich, C.A.. Mr. Kostrich served as part-time CFO from January 1, 2006. Prior employment 5 years: Practicing Chartered Accountant. Beneficial owner 100,000 common shares with agreement to provide adjustment relative to dilution and increased responsibilities. Compensation of Mr. Kostrich by the issuer: CDN \$36,000 annual fees part-time basis. Agreement to increase compensation commensurate with the issuer's increasing complexity and reporting status, financing activities and associated tasks, to include increased equity position to be negotiated. Compensation of the CFO is independent of profitability to diminish conflict of interest. There has been no conviction in a criminal proceeding or naming as a defendant in a pending criminal proceeding. There has been no order, judgment, decree, suspension by a court that permanently or temporarily bars, suspends or otherwise limits Mr. Kostrich's involvement in any type of business, securities, commodities or banking activities. There has been no finding or judgment involving Mr. Kostrich by the Securities and Exchange Commission, the Commodities Futures Trading Commission or a state or provincial securities regulator of a violation of federal, state or provincial securities regulator of any securities or commodities law. There has been no order by a self-regulatory organization that bars, suspends or limits Mr. Kostrich's business or securities activities.

### **XIII Beneficial Owners**

No parties are known by the company to hold 5% or more of the issuer's common shares. XMG Corporation holds 95% of the Preferred shares. The remaining 5% of the Preferred are held by more than one party, thus not reaching the 5% threshold.

### **XIV Service providers advising the issuer on matters relating to financing are:**

#### **Investment Banker**

J.P. Carey Asset Management  
3440 Preston Ridge Road, Suite 600  
Alpharetta, GA 30005  
(770) 521-1330 Tel  
(770) 521-0259 Fax  
info@jpccapital.com  
www.JPCCapital.com

### **Investor Relations**

The issuer does not currently engage in compensated promoted awareness of its securities. The issuer remains interested however in the growth of awareness of its securities and will continually evaluate options which comply with regulations pertaining to such activities. The issuer retains the services of an Investor Relations Manager, E & E Communications, on the basis of a flat monthly fee paid, not in securities.

Paul Knopick  
E & E Communications  
25052 Salford St.  
Laguna Hills, CA  
92653  
(949) 707-5365 Tel  
(949) 707-5375 Fax  
pknopick@eandecomunications.com

### **General Counsel**

Purser Dooley Cockburn Smith LLP  
151 Ferris Lane, Suite 300  
Barrie, Ontario L4M 6C1  
(705) 792-6910 Tel  
(705) 792-6911 Fax

Securities legal matters are given to specialists with experience in the issue at hand.

### **Accountant**

Michael Kostrich Chartered Accountant Professional Corporation  
11 Victoria Street, Suite 220  
Barrie, Ontario L4N 6T3  
(705) 735-9950 Tel  
(705) 735-9951 Fax  
Email: mike@kostrich.ca

Mr. Kostrich is an experienced Chartered Accountant practicing in Ontario, Canada. He maintains a practice servicing a variety of business clients. The issuer is such a client, in the neighbouring suite of offices. Mr. Kostrich has been engaged to provide CFO services, which includes supervision of the accounting practices of the issuer and its subsidiary Niagara Mist. The direct compensation of Mr. Kostrich is not based on the content of financial statements in order to diminish conflict of interest between the production of statements and the amount and nature of compensation. Mr. Kostrich's is a shareholder of the issuer, as are all issuer staff members.

Mr. Kostrich's increased responsibilities associated with the growth of the firm will be accompanied by an increased shareholding and compensation over time. When audits are required, such audits are performed by an independent firm. Winning Brands Corporation is currently a Non-Reporting Issuer. As such, financial information which is publicly disclosed may be internally generated, however, it is certified as materially accurate by the CEO and the CFO.

**Part D      Financial Information**

**See Inserted Financial Statement**

**Winning Brands Corporation**  
**Consolidated Financial Statements**  
**(Unaudited)**  
**for the fiscal year ending**  
**December 31, 2009**

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**Winning Brands Corporation****Consolidated Balance Sheet**

(Unaudited)

**as at December 31, 2009****2009**

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**Assets****Current:**

Cash	\$ 4,325
Accounts receivable	110,280
Inventory	222,696
Prepays	<u>31,730</u>
	369,031
Subscriptions Receivable - Restricted Shares (Note 2)	226,326
Advances Receivable (Note 3)	183,066
Property, Plant & Equipment, net (Note 4)	31,680
Trade Secret Formulations & Trademarks (Note 5)	<u>1</u>
	<u>\$ 810,104</u>

**Liabilities****Current:**

Accounts Payable & Accruals	\$ 532,125
Loans Payable - Inventory & Merchandising Displays (Note 6)	424,883
Loans Payable - Working Capital (Note 7)	<u>353,948</u>
	1,310,956
Loans Payable - Brand Development (Note 8)	<u>1,278,737</u>
	<u>2,589,693</u>

**Shareholders' Deficiency**

Capital Stock	4,218,660
Deficit	<u>(5,998,249)</u>
	<u>(1,779,589)</u>
	<u>\$ 810,104</u>

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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**Winning Brands Corporation**  
**Consolidated Statement of Loss & Deficit**  
(Unaudited)

**Year Ended December 31, 2009**

**2009**

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Sales	\$ 541,607
Cost of sales	<u>406,487</u>
Gross contribution	<u>135,120</u>
Operating expenses:	
Administration & bookkeeping	41,632
Advertising & promotion	540,676
Amortization of capital assets	14,436
Bad debts	106
Bank, credit card & exchange charges	17,253
Computer & internet	19,451
Consulting	33,847
Facility costs	116,053
Financing costs, related fees & interest	340,054
Insurance	15,694
Investor Relations & Services	52,618
Legal, accounting & professional fees	87,343
Management & staff compensation	388,590
Office expenses	41,813
Repairs & maintenance	5,342
Telecommunications	17,226
Vehicle & travel	<u>38,904</u>
	<u>1,771,038</u>
<b>Net loss for the year</b>	(1,635,918)
Deficit, beginning of year	(4,220,842)
Foreign currency translation adjustment	<u>(141,489)</u>
<b>Deficit, end of year</b>	<u>\$ (5,998,249)</u>

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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**Winning Brands Corporation**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2009**

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## **1. Summary of Significant Accounting Policies**

### **Nature of business**

Winning Brands Corporation, a Delaware incorporated entity, is a non-reporting issuer trading under symbol WNBD in the U.S. and WMU in Frankfurt.

Winning Brands Corporation owns 100% of the capital stock of Niagara Mist Marketing Ltd (NMML) which has been in business since 1977. NMML's primary activities include the creation and manufacturing of environmentally friendly household and commercial cleaning products as well as cosmetic and personal care formulations.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary and XMG Corporation (a related company). All significant inter-company accounts and transactions have been eliminated.

### **Foreign Currency Translation**

The consolidated financial statements are presented in United States Dollars as follows:

- Balance sheet items using the Bank of Canada exchange rate as at December 31, 2009
- Income statement items using the Bank of Canada average exchange rate for 2009.

### **Use of Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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# Winning Brands Corporation

## Notes to Consolidated Financial Statements

(Unaudited)

Year ended December 31, 2009

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### Going Concern

These consolidated financial statements have been prepared assuming that the company will continue as a going concern which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business. Additional financing is needed for the successful completion of the company's contemplated plan of operations and its transition, ultimately, to the attainment of profitable operations. The company's ability to raise additional equity or debt financing is unknown. An inability to resolve these factors would raise substantial doubts about the company's ability to continue as a going concern. These financial statements do not include any adjustments that may result from the outcome of the aforementioned uncertainties.

### Inventories

Inventories consist of finished product held for resale at the company's premises in St. Catharine's as well as raw materials and packing materials. Finished product is valued at cost including materials labour and overhead.

### Property, Plant & Equipment

Property, plant & equipment assets are stated at cost and are amortized at the annual rates noted below. Additions are amortized and one half the annual rates.

<u>Category</u>	<u>Rate</u>	<u>Method</u>
Factory equipment & dies	4%	Declining balance
Computers	30 to 55%	Declining balance
Vehicles	30%	Declining balance
Leaseholds	5 yr	Straight line
Furniture & fixtures	20%	Declining balance
Signs	20%	Declining balance

### Revenue Recognition

Revenue is recognized as product is shipped. Goods are not shipped on a consignment basis.

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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**Winning Brands Corporation**  
**Notes to Consolidated Financial Statements**  
(Unaudited)  
**Year ended December 31, 2009**

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**Financial Instruments & Risk Management**

**Foreign currency risk**

The company is exposed to currency risk as some of its accounts receivable and accounts payable are denominated in U.S. dollars, Canadian dollars and other foreign currencies. The company also earns revenue & makes expenditures in these currencies. Unfavourable changes in the applicable exchange rate may result in a decrease in any foreign exchange gain or an increase in any foreign exchange loss.

**Credit risk**

Credit risk arises from the possibility that entities to which the company sells may experience financial difficulty and be unable to fulfil their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtors' payment history.

**Fair value**

The fair value of the company's financial instruments is estimated based on the amount at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The fair value of accounts receivable, inventory, prepaid expenses, and accounts payable and accrued expenses are assumed to approximate their historical cost carrying amount due to their short term nature.

The fair value of the company's long-term financial assets are estimated to approximate their recorded amounts, other than the fair market value of Trade Secret Formulations & Trademarks as referred to in Note 4.

The fair value of the company's long-term financial liabilities are estimated to approximate their recorded amounts.

**2. Subscriptions Receivable - Restricted Shares**

Subscriptions receivable is an attribution to members of the founding management group of the value of their proportionate interest in Niagara Mist Marketing Limited in 2004 prior to the plan of merger and reorganization with Winning Brands Corporation. These interests were converted from free trading shares of Niagara Mist Marketing Limited to restricted shares of Winning Brands Corporation, and remain restricted as at December 31, 2009. These amounts are non-interest bearing and not payable until the removal of the trading restriction of these shares.

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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**Winning Brands Corporation**  
**Notes to Consolidated Financial Statements**  
(Unaudited)  
**Year ended December 31, 2009**

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**3. Advances receivable**

Pending final determination of compensation to be granted for services rendered by the CEO, Eric Lehner during the period 2005 to 2009, advances have been made on account to him. Preliminary compensation to the CEO has been made as follows: 2005 - \$10,000; 2006 - \$12,000; 2007 - \$74,000; 2008 - \$74,000; 2009 - \$95,000. Any payments greater than the preliminary compensation amounts have been treated as advances.

It is the intention that the company will in due course provide compensation to the CEO that is more customary of his level of responsibility, as determined by a competent unaffiliated authority. At such time the advances may be converted to earned compensation.

In the interim, and in good faith toward the company and its shareholders, the CEO has provided partial security for the advances in the form of an assignment of a \$100,000 interest in real property that is registered on title in the town of Caledon, Ontario. The net effect of this arrangement is to link compensation to performance.

**4. Property, Plant & Equipment**

Property, plant & equipment represent the depreciated value of owned physical assets used for production and operations as noted below. Other assets used are leased or subcontracted as required.

	<b><u>2009</u></b>
Factory equipment & dies	\$ 148,982
Computers	36,099
Vehicles	31,120
Leaseholds	20,402
Furniture & Fixtures	9,394
Signs	<u>1,267</u>
	247,264
Accumulated amortization	<u>215,584</u>
	<u>\$ 31,680</u>

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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**Winning Brands Corporation**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**Year ended December 31, 2009**

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**5. Trade Secret Formulations & Trademarks**

The company's wholly owned subsidiary, Niagara Mist Marketing Limited, has developed a portfolio of intellectual proprieties including propriety chemical formulations, know how and trademarks which provide the basis for commercially distinct mass market consumer products with unique selling propositions. These products, principally the lead product, Winning Colours Stain Remover, are gaining listings by major retailers.

No fair market valuation is reflected in these financial statements of these intellectual properties and all investment in their research and development and registration (where appropriate) has been expensed rather than capitalized. It is the opinion of management that the fair market value of these assets are an integral part of the company's overall value and may be better determined with the implementation of the issuer's business plan and/or competent independent valuation professionals.

**6. Loans payable - Inventory & Merchandising Displays**

These 6% and 8% simple interest loans are due in 2010, however can be extended at 12% interest thereafter or converted to equity at a 25% discount to market.

**7. Loans payable - Working Capital**

The loans were made by unaffiliated parties for working capital purposes. Of these amounts, \$222,000 is secured by a GSA (General Security Agreement), which is the remaining portion of an original Canadian \$360,000 obligation.

**8. Loans payable - Brand Development**

These loans represent funding for the initial period of the company's brand development work, prior to access to public equity financing. The loans are repayable by a variety of specific terms of repayment, all of which are long term in nature and open (i.e. can be repaid in full without penalty as resources permit). Of the loans payable amount, approximately \$300,000 will be forgiven upon removal of the trading restriction on the shares purchased by one of the lenders. A portion of the loans payable pertains to partially completed subscriptions prior to the merger, which must be returned due to non-completion.

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The accompanying Notes are an Integral part of the Financial Statements.

This financial statement should be read in conjunction with the Issuer Disclosure Statement posted  
January 31, 2010

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## XVII Management's Discussion and Analysis Overview

Management cautions the reader that there are few "known trends and predictors" pertaining to the operation of a company of this type that can offer guidance pertaining the likelihood of success of the issuer's products in the marketplace.

The financial statement for the period ending December 31, 2009 pertains to an early stage in the issuer's long term development plans; a stage which is still preparatory in nature. Management believes that a reliable business plan requires an evaluation of consumer feedback and retailer feedback from this preparatory stage in order to solidify future operating arrangements. While the issuer manufactures products, and these products are being sold to consumers who have no other relationship to the company and are thus objective in their behaviour, the cumulative feedback from these consumers will have a material bearing on the issuer's final business plan. Such feedback has not yet been evaluated sufficiently to constitute a known trend. There is therefore no reliable basis on which the issuer can project future success and no operational or financial performance has matured to the stage of being projectable on a fiscal basis.

A significant percentage of the company's production output is still directed to research and the distribution of samples in order to obtain response from target consumers in new markets as well as to facilitate discussions with potential business partners. This causes the issuer's cost of goods sold to be higher currently than the 50% that will be possible when substantially all of production is purely for sale. The issuer has embarked on design experiments with regard to the company's product packaging, label information and market positioning. It has been in what the company has described on its website as being an Initial Phase of its operations – "...The Initial Operations Phase is characterized by more *research and production of samples* than sales and more *testing* than actual distribution. In general terms, this can be thought of as the phase during which the starting foundation is laid for the subsequent phases. The Initial Operations Phase is not profitable."

Management of the issuer is of the opinion that the Initial Operations Phase is nearing an end due to accelerated placement of Winning Colours Stain Remover in independent retailers in the United States, where the population is approximately 10 times greater than in Canada, the issuer's first market. Most of the issuer's sales up to and including 2009 were in Canada. It is the expectation of management that by the end of 2010, the issuer will have passed into the Implementation Phase or Growth Phase. The success of a planned DRTV short form "infomercial" campaign in the USA would have a material bearing on this transition, as would progress in implementing one or more U.S. national retail accounts. In Canada, Walmart, Home Depot, Canadian Tire, Home Hardware and Zellers are such national accounts. The issuer has SKU (Stock Keeping Unit) trading partner status with these retailers and the product is now on the shelves of these (and other smaller) retailers in Canada. In the United States, the issuer has SKU trading partner status with Lowes, a major national retailer with approximately 1,600 stores, but is unable to currently discuss any aspect of the operational details of its business relationship, such as when the account will be activated, due to a confidentiality undertaking with regard to any such plans.

The materiality of such a listing, should it happen, rests not only with the potential impact upon revenue, but the fact that the issuer would not need to increase its infrastructural costs commensurate with the resulting increase in revenue. This is because the current staff and facilities will suffice for the processing of the possible orders from the first such retailer. Contract production facilities are ready and tested.

In the interim, discussions with additional U.S. national retailers are in various stages of progress, and over 1,000 independent locally owned points of sale have been established in the U.S., the majority of which occurred in the 3<sup>rd</sup> and 4<sup>th</sup> Qtr of 2009. In the opinion of management, the issuer is reaching a favourable tipping point regarding its U.S. operations, however management is unable to provide reasonable guidance as to which critical events will occur first to drive primary U.S. growth. The circumstances of the issuer are therefore highly speculative.

The “phase” referred to above has been described on the issuer’s website as being unrelated to calendar years, but rather a starting point in a progression determined by whether targets are achieved. Management believes that the business plan will pass through 6 Phases if normal operating conditions can be achieved; Initial Operations Phase (Annual Sales less than \$1 Million), Implementation Phase (Annual Sales of \$1 Million to \$3 Million), Growth Phase (Annual Sales of \$3 Million to \$5 Million), Self-Sustaining Phase (Sales between \$5-50 Million), Established Phase (Sales between \$50 Million and \$100 Million), World Phase (Sales over \$100 Million). As continuously disclosed on the issuer’s website, current sales have been below \$1 Million annually each year since 2006.

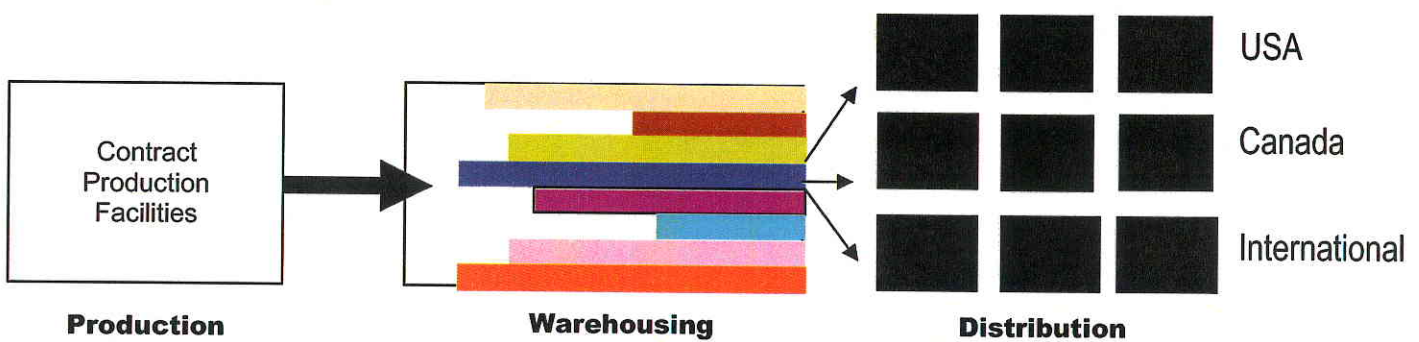
#### **A. Plan of Operation**

- i. The issuer may satisfy its cash requirements by raising additional funds in the next twelve months either as equity or debt. The issuer may benefit from increasing the proportion of debt to equity in the coming 12 months in order to mitigate dilution and reduce the cost of eventual repurchase of shares. Should the DRTV operations in 2010 conform to the pattern of successful campaigns of this type, then the anticipated revenue would be sufficient to service interest payments and provide for a reduction of principal. The success of the DRTV campaign however is impossible to predict. The issuer has not had difficulty finding suitable lenders or investors to date due to its favourable reputation as a reliable and focused enterprise that applies its resources toward the stated business objectives;
- ii. The issuer will be increasing its research and development activity in 2010 primarily in the areas of 3<sup>rd</sup> party certification, competitive testing to ensure accuracy of claims and advancement of formulations;

- iii. The issuer will continue to divest itself of obsolete plant equipment in 2010 to modernize and streamline its production capability, retaining prototyping and unusual size or special run fulfilment, rather than primary production of projected demand. The illustration below describes the basic operating model of the firm producing (or having production carried out) sufficient quantities of the company's leading product(s) for storage in commercial warehousing in predictive quantities that are sufficient to satisfy demanding delivery timeframes.

The following chart illustrates the basic business model;

*The issuer plans to concentrate on marketing while subcontracting efficient production. If a product SKU from the company's considerable portfolio of formulations does not have sufficient volume potential for large scale success, then it will be made dormant. This represents a concentration of focus compared to the business model of Niagara Mist prior to its acquisition by the issuer. Previously, Niagara Mist production consisted of multiple small runs of an SKU assortment that was overly large relative to Niagara Mist's size. Contract packaging arrangements have now been tested successfully by the issuer.*



**Production**  
*Products will be made in advance to a minimum/maximum forecasting model.*

**Warehousing**  
*Computerized inventory records, professional loading bays, secure & insured facility, abundant casual labour, logistics expertise are the advantages of contract warehousing for issuer inventory. As inventory levels of SKU's drop, replacement orders are generated before inventory is depleted. Using this method, customers will not experience backorders.*

**Distribution**  
*Winning Brands will concentrate on sales to distributors and large retailers. (Distributors service small retailers.) Winning Brands' eventual DRTV fulfillment partner will be considered a single large retailer for logistics purposes. The issuer is focusing on core SKU's for maximum efficiency. The lead product for this purpose is Winning Colours Stain Remover. This operating model accommodates additional SKU's easily as demand warrants. The issuer business model calls for a minimum core staff group so that the maximum proportion of future sales growth can go to the bottom line.*

***This chart illustrates the relationship between key factors in the Winning Brands production, warehousing and sales equation as described in the IDS. Profitability is enhanced by the fact that capacity growth and capacity retention is a variable cost rather than a fixed cost.***

- iv. The current employee count is not expected to increase materially in 2010 due to the existence of effective infrastructure for current North American distributor plans. An International Sales Manager will be the next hire in order to solidify emerging interest from several foreign markets. Full time management of international initiatives is now called for as a specialization within the firm. Additional independent sales associates may be added in 2010 as the issuer seeks to broaden the reach of Winning Colours Stain Remover into additional categories of trade. The issuer may engage an experienced independent Project Manager to coordinate all activities related to the operation of the DRTV campaign if the campaign appears to be self-sustaining and thus long term. Such coordination would manage forecasting of predictive inventory, media purchases and supervise fulfillment operations.

**B. Management's Discussion and Analysis of Financial Condition and Results of Operations - Detail**

- i. By means of this IDS, the issuer is posting results for the fiscal year ending December 31, 2009. The consolidated loss for the year 2009 of \$1,635,918 reflects the fact that the Initial Operations Phase is not a profitable stage of brand development. This characteristic of initial operations has always been disclosed in the issuer's public communications. The deficit accumulated since inception of \$5,998,249 represents the impact of brand development and research activities related to Winning Brands. It is the opinion of management that the total brand development investments to date are a reasonable and cost effective outlay, having resulted in the emergence of a portfolio of intellectual properties and retail listings which form the foundation of a vibrant consumer products enterprise;
- ii. The issuer has financed its operations through a combination of debt and equity. It maintains liquidity through successful accounts receivable financing, successful inventory production financing and continuing relationships with its long term lenders. The company has earned a good reputation in the capital markets as a non-reporting issuer that functions responsibly with adequate disclosure to retail shareholders of the risks associated with its operations. The shares of WNBD trade daily in reasonable volume and are of interest to a variety of market makers thus enhancing liquidity for common shareholders. The issuer collects a high percentage of its accounts receivable with a consequently low bad-debt expense. The issuer's cash position fluctuates routinely and does not impair normal operations. In the first 7 days of January 2010, the company deposited CAD \$39,827.04 (U.S. \$37,747.17 Dec 31/09 conversion 1.0551) from customers to supplement its December 31, 2009 cash position. Notwithstanding the fact that the issuer is not yet self-sufficient from its own sales, it functions as a going concern;

- iii. The issuer is not currently envisioning material new commitments for capital expenditures;
- iv. While certain events of a positive nature having a material impact on the net sales of the company are expected and are provided for in the business plan of Winning Brands, it is impossible to predict the timing and scale of this impact. This is because the impact is determined by events beyond the control of the issuer. All planned initiatives should be considered highly speculative until a pattern emerges that can be relied upon as the basis of forecasting;
- v. There are no significant elements of income or loss that do not arise from the issuer's continuing operations;
- vi. The financial statement forming part of this IDS shall form the base-line to measure material changes from period to period of the issuer's operations henceforth. The preceding periods were largely developmental; operations were not yet sufficiently routine to constitute a useful reference;
- vii. Seasonal trends may have a material effect upon the financial condition or results of operation. Conventionally, cleaning products are considered somewhat seasonal, favouring spring and summer. The issuer's lead product, Winning Colours Stain Remover, as well as its domestic laundry products, solutions for emergency responders, and wet cleaning solutions are not considered by management to be highly seasonal. Products in the current portfolio which are likely to be seasonal as they emerge are TrackMoist as a dirt race track dust suppressant & performance enhancer and the issuer's fragrance project Niagara Mist Perfume, which will respond to the strong summer bias of the millions of annual visitors to Niagara Falls, Canada. Niagara Mist holds amongst its trademarks and intellectual property a right conferred by the City of Niagara Falls, Canada to develop, produce and sell the Official Fragrance of Niagara Falls, Canada – one of the world's most popular tourist destinations. This project has been in various stages of development and testing but is not yet ready for a fully committed launch.

In summary, Winning Brands Corporation is an early stage organization which has made substantial progress toward the development of new consumer product brands with mass market potential, and the creation of skilled organizational infrastructure – both in terms of personnel and operations.

The investments to date have been reasonable in light of these accomplishments. Should the issuer succeed in implementing its business plan, the issuer's profitability can be substantial judging by relevant precedents. It is the opinion of management that the current organizational model can sustain a \$100 Million per year business without requiring substantial conceptual alteration. This is the context for the investments to date. At the \$100 Million dollar per year level, all existing current and long term obligations of the issuer could be satisfied easily accompanied by significant growth in shareholder value. All expenditures by the issuer are for the development of the business model and are resulting in growth in distribution activity.

**C. Off-Balance Sheet Arrangements**

There are no material off-balance sheet arrangements due to the fact that all related company activity is combined in the consolidated financial statement.

**Part F Exhibits**

**Item XVIII Material Contracts.**

A. There are no material arrangements which have not been described in the IDS.

**Item XIX Articles of Incorporation and Bylaws**

Attached.

**Item XX Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

Not applicable.

**Item XXI Issuer's Certifications:**

I, Eric Lehner, CEO, certify that:

1. I have reviewed this Issuer Disclosure Statement of Winning Brands Corporation
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statement, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

January 31, 2010

Signature:



I, Michael Kostrich, CFO, certify that:

1. I have reviewed this Issuer Disclosure Statement of Winning Brands Corporation
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statement, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

January 31, 2010

Signature:

A handwritten signature in black ink that reads "Michael Kostrich". The signature is written in a cursive style with a large initial 'M' and 'K'.

CERTIFICATE OF INCORPORATION  
OF  
ESSEX ENTERPRISES, INC.

---

FIRST. The name of this corporation shall be:

ESSEX ENTERPRISES, INC.

SECOND. Its registered office in the State of Delaware is to be located at 1013 Centre Road, in the City of Wilmington, County of New Castle and its registered agent at such address is CORPORATION SERVICE COMPANY.

THIRD. The purpose or purposes of the corporation shall be:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of stock which this corporation is authorized to issue is:

Fifty Million Five Hundred Thousand (50,500,000) shares of which Fifty Million (50,000,000) shares are with a par value of \$.001 each, amounting to Fifty Thousand Dollars (\$50,000.00) are Common Stock and Five Hundred Thousand (500,000) shares are with a par value of \$.001 each, amounting to Five Hundred Dollars (\$500.00) are Preferred Stock.

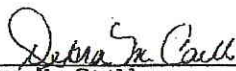
FIFTH. The name and address of the incorporator is as follows:

Debra M. Carll  
Corporation Service Company  
1013 Centre Road  
Wilmington, DE 19805

SIXTH. The Board of Directors shall have the power to adopt, amend or repeal the by-laws.

SEVENTH. No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law, (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, has executed, signed and acknowledged this certificate of incorporation this ninth day of May, A.D., 1995.

  
\_\_\_\_\_  
Debra M. Carll  
Incorporator

**CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
ESSEX ENTERPRISES, INC.**

Essex Enterprises, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation by the unanimous written consent of its members, filed with the minutes of the Board, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

RESOLVED, that Article I of the Certificate of Incorporation of the Company shall be amended to read as follows: "The name of this corporation shall be Veronique, Inc."

SECOND: That in lieu of a meeting and vote of stockholders, the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Law of the State of Delaware, and written notice of the adoption of the amendment has been given as provided in Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Essex Enterprises, Inc. has caused this certificate to be signed by Lynn Dixon, its President and its Secretary, this 9th day of December 1996.

Essex Enterprises, Inc.

By   
Lynn Dixon, President and Secretary

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

VI SUB, INC., A DELAWARE CORPORATION (Subsidiary)

WITH AND INTO

VERONIQUE, INC., A DELAWARE CORPORATION (Parent)

This is to certify that pursuant to the provisions of Section 253 of the Delaware General Corporation Law, Veronique, Inc., a Delaware corporation, as the surviving corporation, hereby adopts the following Certificate of Ownership and Merger:

FIRST: VI Sub, Inc., a Delaware corporation (the "Merging Corporation"), shall merge with and into Veronique, Inc., a Delaware corporation (the "Surviving Corporation").

SECOND: A resolution of the Board of Directors of the Surviving Corporation providing for the merger of the Merging Corporation with and into the Surviving Corporation on the terms described herein was duly approved and adopted on September 15, 1997, by unanimous written consent, a copy of which is attached hereto as Exhibit A. The Merging Corporation is a wholly-owned subsidiary of the Surviving Corporation. The Surviving Corporation is the corporation to survive the merger.

THIRD: Both the Surviving Corporation and the Merging Corporation are incorporated under the laws of the State of Delaware.

FOURTH: The Certificate of Incorporation and the Bylaws of the Surviving Corporation will not be amended as a result of the merger.

FIFTH: Upon the Effective Time, the Merging Corporation shall be merged into the Surviving Corporation; and, thereupon, the Surviving Corporation shall possess any and all purposes and powers of the Merging Corporation; and all leases, licenses, property, rights, privileges, and powers of whatever nature and description of the Merging Corporation shall be transferred to, vested in, and devolved upon the Surviving Corporation, without further act or deed, subject to all of the debts and obligations of the Merging Corporation. Each share of capital stock of the Merging Corporation shall be canceled at the Effective Time, without the necessity of any action on the part of the holder thereof. The issued and outstanding shares of capital stock of the Surviving Corporation shall remain outstanding after the Effective Time and shall not be affected in any way by the merger.


SIXTH: This Certificate of Ownership and Merger shall become effective as of the time and date on which it is accepted for filing by the Secretary of State of the State of Delaware (the "Effective Time").

IN WITNESS WHEREOF, each undersigned officer acknowledges this Certificate of Ownership and Merger to be the corporate act of the Surviving Corporation, and further, does make this certificate, hereby declaring and certifying that this is their act and deed and the facts herein stated are true, and accordingly the officers have hereunto duly executed this Certificate of Ownership and Merger on behalf of the Surviving Corporation this 15<sup>th</sup> day of September, 1997.

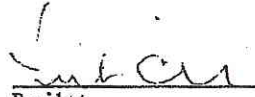
ATTEST:

VERONIQUE, INC.

(SEAL)

  
Secretary

By:

  
President

Terrence O. McGrath

VERONIQUE, INC.

UNANIMOUS WRITTEN CONSENT OF DIRECTORS

WHEREAS, the directors of Veronique, Inc. (the "Corporation"), have determined that it would be in the best interest of the Corporation to merge its wholly-owned subsidiary, VI Sub, Inc., with and into the Corporation;

NOW, THEREFORE, BE IT

RESOLVED, that VI Sub, Inc., the Corporation's wholly-owned subsidiary, shall be merged with and into the Corporation, and all of the shares of capital stock of VI Sub, Inc. shall be canceled and all of the shares of capital stock of the Corporation shall be unaffected, and further on the terms set forth in the Certificate of Ownership and Merger attached hereto; and

FURTHER RESOLVED, that the officers of the Corporation be, and each of them is hereby, authorized by and on behalf of the Corporation, to make, execute and deliver a Certificate of Ownership and Merger and such other related agreements, certificates, instruments and documents as such officer or officers acting on behalf of the Corporation may approve in order to consummate the above-described merger, the execution of any of such further agreements, certificates, instruments or documents to be conclusive evidence of such approval; and

FURTHER RESOLVED, that the officers of the Corporation be, and each of them is hereby, authorized and directed to take such actions and to do all things which such officer or officers may deem necessary or appropriate to accomplish the above-described merger.

Executed this 16th day of September, 1997.

  
\_\_\_\_\_  
Stan Adler  
Director

  
\_\_\_\_\_  
David L. Haselkorn  
Director

  
\_\_\_\_\_  
Terrence O. McGrath  
Director

**CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
VERONIQUE, INC.**

Pursuant to Section 242  
of the General Corporation Law of the  
State of Delaware

Veronique, Inc. (hereinafter called the "Corporation"), organized and existing under and by virtue of the General Corporation Law of the State of Delaware, docs hereby certify as follows:

Acting by consent in lieu of a meeting, in accordance with the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation adopted a resolution pursuant to Section 242 of the General Corporation Law of the State of Delaware setting forth amendments to the Certificate of Incorporation of the Corporation and declaring said amendments to be advisable. The stockholders of the Corporation duly approved said proposed amendments by written consent in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware, and written notice of such consent has been given to all stockholders who have not consented in writing to said amendments. The resolution setting forth the amendment is as follows:

RESOLVED, that the Board of Directors of the Corporation hereby approves, and recommends that the shareholders of the Corporation approve the adoption of an amendment to the Certificate of Incorporation to delete Article FOURTH in its current form and insert in lieu thereof the following:

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) Fifty Million (50,000,000) shares of Common Stock, \$.001 par value per share ("Common Stock") and (ii) Five Hundred Thousand (500,000) shares of Preferred Stock, \$.001 par value per share ("Preferred Stock").

The following is a statement of the designations, and the powers, privileges and rights, and the qualifications, limitations or restrictions in respect of each class of capital stock of the Corporation:

#### A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. Voting. The holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend right of any then-outstanding Preferred Stock.

4. Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

5. Designation of Classes. Notwithstanding anything to the contrary in this Article Fourth, the Board of Directors is authorized to issue from time to time one or more classes of Common Stock and, in connection with the creation of any such class, to determine and fix, by resolution adopted by the Board of Directors, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, and conversion rights as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. The resolutions providing for issuance of any class of Common Stock may provide that such class shall be superior, or rank equally, or be junior to the Common Stock of any other class to the extent permitted by law. No vote of the holders of the Common Stock or the Preferred Stock shall be a prerequisite to the issuance of any shares of any class of the Common Stock authorized by and complying with the conditions of the Certificate of Incorporation, the right to have such vote being waived by all present and future holders of the capital stock of the Corporation.

#### B. PREFERRED STOCK

1. Issuance in Series. Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased, or acquired by the Corporation may be reissued except as otherwise provided by law. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided in the instrument designating the terms of any such series.

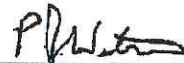
2. Designation of Series. The Board of Directors is authorized to issue from time to time one or more series of Preferred Stock and, in connection with the creation of any such series, to determine and fix, by resolution adopted by the Board of Directors, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges, and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. The resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior, or rank equally, or be junior to the Preferred Stock of any other series to the extent permitted by law. No vote of the holders of the Common Stock or the Preferred Stock shall be a prerequisite to the issuance of any shares of any Series of the Preferred Stock authorized by and complying with the conditions of the Certificate of Incorporation, the right to have such vote being waived by all present and future holders of the capital stock of the Corporation.


3. Voting. Unless otherwise provided in the instrument designating a series of Preferred Stock, each holder of outstanding shares of Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible, at each meeting of stockholders of the Corporation (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by law, by the provisions of this Certificate, or by the provisions establishing any series of Preferred Stock, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed hereto and this Certificate of Amendment to be signed by its President and attested to by its Secretary this 30 day of April, 1998.

ATTEST:

VERONIQUE, INC.

  
\_\_\_\_\_  
Secretary

By:   
\_\_\_\_\_  
President - Terrence O. McGrath

[Corporate Seal]

**CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
VERONIQUE, INC.**

Pursuant to Section 242 of the  
General Corporation Law of the State of Delaware

Veronique, Inc. (hereinafter called the "Corporation"), organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify as follows:


Acting by consent in lieu of a meeting, in accordance with the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation adopted a resolution pursuant to Section 242 of the General Corporation Law of the State of Delaware setting forth a proposed amendment to the Certificate of Incorporation of the Corporation and declaring said amendment to be advisable. The stockholders of the Corporation entitled to vote on such amendment duly approved said proposed amendment by written consents in lieu of a meeting pursuant to Sections 242 and 228 of the General Corporation Law of the State of Delaware. The resolution setting forth the amendment is as follows:

**RESOLVED**, that the Board of Directors of the Corporation hereby approves, and recommends that the shareholders of the Corporation approve, the adoption of an amendment to the Certificate of Incorporation providing in its entirety as follows: That Article FIRST of the Certificate of Incorporation of the Corporation be and hereby is deleted and the following Article FIRST is inserted in lieu thereof:

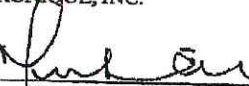
FIRST: The name of the Corporation shall be: DIGITAL LAUNCH, INC.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed hereto and this Certificate of Amendment to be signed by its President and attested to by its Secretary this 15<sup>th</sup> day of April, 1999.

ATTEST:

  
Phillip J. Watrous  
Secretary  
[Corporate Seal]

VERONIQUE, INC.

By:   
Terrence O. McGrath  
President

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 09:00 AM 04/13/1999  
991145146 - 2505751

**DIGITAL LAUNCH, INC.  
CERTIFICATE OF AMENDMENT  
TO  
CERTIFICATE OF INCORPORATION**

Digital Launch, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

**DOES HEREBY CERTIFY:**

1st: That by unanimous written consent of the Board of Directors of Digital Launch, Inc., a resolution was duly adopted setting forth a proposed amendment to the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and proposing approval by the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

**RESOLVED**, that the Certificate of Incorporation of this corporation be amended by changing the **FIRST** article thereof so that, as amended, said Article shall read as set forth below:

**FIRST**: The name of this corporation shall be: Global e Tutor, Inc.

2nd: That thereafter, pursuant to resolution of its Board of Directors, a written approval by majority consent of the stockholders of said Corporation was duly received in accordance with the General Corporation law of the State of Delaware, by which consent the necessary number of shares as required by statute were voted in favor of the amendment.

3rd: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware, and the necessary number of shares as required by statute were voted in favor of the amendment.

IN WITNESS WHEREOF, said Digital Launch, Inc., has caused this certificate to be signed by its President and its Secretary-Treasurer, this 2<sup>nd</sup> day of February, 2000.

By:   
Thomas E. McMurray, President

By:   
Lara Stegman, Secretary

**CERTIFICATE OF MERGER  
OF  
GLOBAL TUTOR, INC.**

Pursuant to the provisions of the Delaware Corporation Code Annotated Sections 251(f) and 252, and the Nevada Revised Statutes Section 92A.200, the following Articles of Merger are executed for the purpose of merging Kilimanjaro Group.com Inc., a Nevada corporation (the "Disappearing Corporation"), with and into Global E Tutor, Inc., a Delaware corporation (the "Surviving Corporation").

1. The Agreement and Plan of Merger, dated May 23, 2000, was approved, adopted, certified, executed and acknowledged by the Disappearing Corporation and the Surviving Corporation in accordance with Chapter 92A of the Nevada Revised Statutes and Section 252 of Delaware Corporation Code Annotated.
2. On May 23, 2000, the Agreement and Plan of Merger was submitted and duly approved by a unanimous written consent of all of the shareholders of the Disappearing Corporation pursuant to Sections 78.32 and 92A.120(7) of the Nevada Statutes.
3. The Agreement and Plan of Merger was submitted to and unanimously approved by the Board of Directors of the Surviving Corporation pursuant to Section 252 of the Delaware Corporation Code on April 19, 2000.
4. Pursuant to Section 251(f) of the Delaware Corporation Code shareholder approval of the Surviving Corporation was not required.
5. The executed Agreement and Plan of Merger is on file at the principal executive offices of the Surviving Corporation located at 3340 Peachtree Road, Suite 1800, Atlanta, GA 30326. A copy of the Agreement and Plan of Merger will be furnished by the Surviving Corporation, on request and without cost, to any stockholder of the Disappearing Corporation or Surviving Corporation.
6. The Certificate of Incorporation of the Surviving Corporation, a Delaware corporation which is surviving the merger, shall be the Certificate of Incorporation of the surviving corporation.
7. Pursuant to the provision of Section 92A.190 of the Nevada Revised Statutes, the Surviving Corporation is deemed to have appointed the Secretary of State of the State of Nevada as its agent for service of process in a proceeding to enforce any obligation or the rights of dissenting shareholders of the Disappearing Corporation. The address where copies of process may be sent by the Secretary of State of the State of Nevada is as follows:

Odgen Murphy Wallace, P.L.L.C.  
1601 Fifth Avenue, Suite 2100  
Seattle, Washington 98101  
Attn: James L. Vandeberg

(DWR437723 DOC:2/61044.01/0097)

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 04:00 PM 05/25/2000  
001267789 - 2505751

8. The authorized capital stock of the foreign Disappearing Corporation is as follows:

Class	Number of Shares	Par Value
Common Stock	25,000,000	\$0.001

Dated this 24<sup>th</sup> day of May, 2000.

GLOBAL TUTOR, INC.



By: Thomas McMurray  
Its: President

**BY-LAWS  
OF  
GLOBAL E TUTOR, INC.**

**ARTICLE I**

**OFFICES**

Section 1. Offices.

The registered office shall be in the City of Dover, County of Kent, State of Delaware (hereinafter, the "State"). Global E Tutor, Inc., (the "Corporation") may also have offices at such other places both within and without the State, as the Board of Directors may from time to time determine or the business of the corporation may require.

**ARTICLE II**

**MEETINGS OF STOCKHOLDERS**

Section 1. General.

All meetings of the stockholders shall be held at such place within or without the State as may be designated from time to time by the Board of Directors.

Section 2. Annual Meetings.

Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 3. Special Meetings.

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles (hereinafter, the "Certificate"), may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten (10) or more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 4. Quorum.

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute or by the Certificate. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote, present in person or represented by proxy, shall have power to

adjourn the meeting to a future date at which a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. Notice need not be given of the adjourned meeting if the time and place are announced at the meeting in which the adjournment occurs. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Voting.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate, a different vote is required in which case such express provision shall govern and control the decision of such question. Unless otherwise provided in the Certificate or by statute, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period. Every proxy shall be revocable by the stockholder executing it, except where an irrevocable proxy is permitted by statute.

Section 6. Written Consent.

Unless otherwise provided in the Certificate, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and to the Secretary of the corporation. Any such consent shall be filed with the minutes of the corporation.

**ARTICLE III**

**BOARD OF DIRECTORS**

Section 1. Management and Number.

The property, business and affairs of the corporation shall be controlled and managed by a Board of Directors. The number of directors to constitute the first Board of Directors is one to three and such number may be increased or decreased by future action of the Board of Directors. The business of the corporation shall be managed by its Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate or by these bylaws directed or required to be exercised or done by the stockholders.

Section 2. Vacancies.

Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority vote of the directors then in office, though less than a

quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), then the appropriate court of the State may, upon application of any stockholder or stockholders having at least ten (10%) percent of the total number of shares then outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships or to replace directors chosen by the directors then in office.

Section 3. Locations.

The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State.

Section 4. First Meeting.

The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected Board of Directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 5. Regular Meetings.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

Section 6. Special Meetings.

Special meetings of the Board of Directors may be called by the President on two days' notice to each director, either personally or by mail or by telegram, setting forth the time, place and purpose of the meeting. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two directors.

Section 7. Quorum.

At all meetings of the Board of Directors, a majority of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may otherwise be specifically provided by statute or by the Certificate. If a quorum shall not be present at any meeting of the Board of Directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 8. Action by Consent.

Unless otherwise restricted by the Certificate, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in

writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 9. Meetings by Telephone.

Unless otherwise restricted by the Certificate, members of the Board of Directors or of any committee thereof, may participate in a meeting of the Board of Directors or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting by use of such equipment shall constitute presence in person at such meeting.

Section 10. Committees. Membership, Powers.

The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate; adopting an agreement of merger or consolidation; recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets; recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution; amending the bylaws of the corporation; or increasing or decreasing the membership of the Board of Directors; and, unless the resolution or the Certificate expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 11. Committees. Minutes.

Each committee shall appoint a secretary of each meeting and keep regular minutes of its meetings and report the same to the Board of Directors.

Section 12. Compensation of Directors.

Unless otherwise restricted by the Certificate, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

## ARTICLE IV

### NOTICES

#### Section 1. Notices.

Whenever, under the provisions of the statutes or of the Certificate or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder at their address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

#### Section 2. Waivers.

Whenever any notice is required to be given under the provisions of the statutes or of the Certificate or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## ARTICLE V

### OFFICERS

#### Section 1. Destinations.

The officers of the corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board of Directors (if one shall be elected by the Board of Directors), a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless applicable law, the Certificate or these bylaws otherwise provide.

#### Section 2. Term Removal.

The Board of Directors at its first meeting and after each annual meeting of stockholders shall choose a Chairman of the Board of Directors (if they so desire), a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

#### Section 3. Salaries.

The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors. Any payments made to an officer of the corporation as compensation, salary, commission, bonus, interest, or rent, or in reimbursement of entertainment or travel expense incurred by said officer, shall be, to the greatest extent practical, a deductible expense of the corporation for Federal income tax purposes.

Section 4. The Chairman of the Board of Directors.

The Chairman of the Board of Directors (if one shall be elected by the Board of Directors) shall preside at all meetings of the shareholders and at all meetings of the Board of Directors. The Chairman shall perform all the duties incident to the office of Chairman of the Board of Directors and such other duties as the Board of Directors may from time to time determine or as may be prescribed by these bylaws. In the absence of the President, the Chairman shall be the chief executive and administrative officer and acting President of the corporation.

Section 5. The President.

The President shall be the chief executive and administrative officer of the corporation, shall have general supervision of the business and finances of the corporation, shall see that all orders and resolutions of the Board of Directors are carried into effect and shall, in the absence of the Chairman of the Board of Directors, preside at all meetings of the shareholders and directors. The President may execute all bonds, deeds, mortgages, conveyances, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other officer or agent of the corporation, or shall be required by law otherwise to be signed or executed. The President shall have the power to appoint, determine the duties and fix the compensation of such agents and employees as in his judgment may be necessary or proper for the transaction of the business of the corporation. In general, the President shall perform all duties incident to the office of President and such other duties as may from time to time be assigned to him by the Board of Directors. The Board of Directors may confer like power on any other person or persons, except those that by statute are conferred exclusively on the President.

Section 6. The Vice Presidents.

The Vice Presidents shall perform such duties as shall be assigned to them and shall exercise such powers as may be granted to them by the Board of Directors or by the President of the corporation. In the absence of the President and the Chairman of the Board of Directors, the Vice Presidents, in order of their seniority, may perform the duties and exercise the powers of the President with the same force and effect as if performed by the President and shall generally assist the President and shall perform the duties and have the powers prescribed by the Board of Directors from time to time.

Section 7. The Secretary.

The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he or she shall be. The Secretary shall have custody of the corporate seal of the corporation and he or she, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 8. Assistant Secretary.

The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 9. The Treasurer.

The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his or her transactions as Treasurer and of the financial condition of the corporation.

Section 10. Assistant Treasurer.

The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Certificates of Stock.

Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the Chairman of the Board of Directors, or the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by him or her in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2. Lost Certificate.

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the

corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 3. Transfers of Stock.

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 4. Fixing Record Date.

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholder of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Registered Stockholders.

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State.

## ARTICLE VII

### GENERAL PROVISIONS

Section 1. Dividends.

Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate.

Section 2. Reserves.

Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves for working capital, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Annual Statement.

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

Section 4. Checks and Deposits.

All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate. All funds of the corporation not otherwise employed may be deposited to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may from time to time select.

Section 5. Fiscal Year.

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 6. Seal.

The corporate seal shall have inscribed thereon the name of the corporation, the year of incorporation and the words "Corporate Seal ". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

**ARTICLE VIII**

**AMENDMENTS**

Section 1. Amendments.

These bylaws may be altered, amended or repealed or new bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate, at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting.

**ARTICLE IX**

**INDEMNIFICATION AND INSURANCE**

Section 1. Indemnification.

A. The corporation shall indemnify to the full extent authorized or permitted by the general corporation law of the State, as now in effect or as hereafter amended, any person made, or threatened to be made, a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigate, including an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation or serves or served any other enterprise as such at the request of the corporation.

B. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which such persons may be entitled apart from the Article IX. The foregoing right of indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of their heirs, executors and administrators of such a person.

Section 2. Insurance

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provision of the general corporation law of the State.

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