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Introduction
Dictionary

As with most businesses and organizations, Quixtar has its own special language with many unique names and common terms. To help you “learn the language,” we’ve prepared this Quixtar Dictionary. Following the dictionary is a list of common abbreviations.

A

Action Pak
Special groupings of related products that Quixtar packages occasionally for promotional reasons.

Advance Order (A/O)
When a new item (product, video, etc.) is on Advance Order, the item may be ordered by authorized IBOs even though it’s not yet available for shipment. Shipments will be made on a FIFO (first in, first out) basis as soon as the merchandise becomes available. These orders will remain in the system until shipment takes place or the order is canceled. PV/BV credit and charges for the item are usually issued when the order is received.

Amvox® Global Communications
A telephone answering and messaging service used and sold by IBOs.

Annual Volume
Includes IBO’s Personal Volume, pass-up from all non-25% Group Leaders and all down-line Associate IBOs’ (Class 9) volume. This volume does not include the volume from non-25% IBOs above a maximum Performance Bonus level (25%) foster registered IBO. This volume is used to determine Silver and Platinum qualification months. Negative volume is included/applied.

Associate IBO
Any Independent Business below the 25% Sponsor level.

Award Volume
Includes an IBO’s Personal Volume, pass-up from all non-25% Group Leaders and all down-line Associate IBOs’ (Class 9) volume. This volume does not include the volume from non-25% IBOs above a maximum Performance Bonus level (25%) foster registered IBO. This volume is used to determine Silver and Platinum qualification months. Negative volume is included/applied.

B

Back Order (B/O)
If an item is not available from either the Catalog Distribution Center (CDC) or the Service Center for a short period of time, it is placed on B/O status. Back orders for catalog items are normally held for not more than 30 days before the B/O is canceled. The money is refunded and PV/BV reduced. Before the 30 days are up, the party who placed the order may ask for the B/O to be held longer than 30 days. At that time, the B/O is changed to A/O. A Service Center back order will hold in the system until released for shipping. Core line products held on back order are shipped free of service charges.

Bank Draft
A payment option for personal check-authorized IBOs that allows them pay for the order by having the Corporation draft their checking account. When the Corporation receives the IBO’s order and PIN (Personal Identification Number), it sends the billing information to the IBO’s bank, which then produces a transaction that will be drawn on the IBO’s bank account. Both the IBO’s bank and the Corporation must approve the authorization for drafts against the account.

Bonus
Method of payment to IBOs.

Bracket
IBOs are paid a Performance Bonus based on the amount of accumulated monthly PV. Percentage brackets of the Performance Bonus Schedule are 3%, 6%, 9%, 12%, 15%, 18%, 21%, 23% and 25%.

Bulletins
A series of reports that explain corporate requirements on various business and legal mat-
ters, such as divorce, sponsoring minors, transfers, forming partnerships, etc. These Bulletins are sent out to inquiring IBOs by Business Conduct & Rules, the Legal Division or Business Information Services.

**Business Information Services**

Provides information on independent businesses, the Independent Business Ownership Plan, qualifications, special promotions, product PV/BV, pricing, servicing arrangements, literature and ordering.

**Business Support Materials (BSMs)**

Motivational or product literature, audiocassettes and videos that IBOs may order from Quixtar or from their IBO’s organization to assist them in building their business.

**Business Support Materials Arbitration Agreement (BSMAA)**

The IBOAI Board asked that the Corporation provide IBOs with the opportunity to sign a Business Support Materials Arbitration Agreement. The same arbitration procedures that will be used with disputes relating to the Quixtar business will be used with disputes involving BSM-related issues, provided the disputing parties have signed a BSMAA. The BSMAA is included in the QUIXTAR SM Registration Pack.

**Business Volume (BV)**

Every product has an established BV number, a dollar figure which is totaled each month to calculate monthly and annual bonuses. An IBO’s monthly Performance Bonus is a certain percentage (between 3% and 25%) of his/her BV. All bonus payments are based on BV.

**Buy-Back Rule**

Rule 5.3.6 of the Rules of Conduct. To summarize: A sponsor must purchase back from his personally registered IBOs leaving the business, upon their request, any unused, currently marketable products and/or currently marketable literature and merchandising or registering aids. This rule protects IBOs against inventory loading and assures that no IBO who decides to relinquish his business will be left with unwanted products, literature and sales aids. See Section F for details.

**C**

**Catalog Distribution Centers (CDCs)**

The U.S. Catalog Distribution Centers are in Ada, Mich., and Dayton, Nev. The Canadian warehouse is in London, Ontario. (The U.S. and Canadian catalogs are different.)

**Class 2**

A Platinum.

**Class 4**

A Silver Producer.

**Class 6**

A 25% Sponsor.

**Class 9**

An Associate IBO.

**Client**

A retail customer.

**Consumables**

Products that are continually used up and, thus, can be sold to the same Client or Member month after month, year after year (for example, L.O.C.® Multi-Purpose Cleaner, SA8® Laundry Concentrate, ARTISTRY® Cosmetics).

**Core Line Products**

“Regular line” products (as opposed to catalog products), many of which are manufactured by Amway or Nutrilite and are usually consumable.

**Corporation**

The term Corporation or corporate refers to both Quixtar, Inc. and Amway Corp., unless otherwise specified.

**Crown**

A Crown. See Section D for qualifications and rewards.

**Crown Ambassador**

A Crown Ambassador. See Section D for qualifications and rewards.

**Customer Service Department**

Handles new IBO telephone applications and customer inquiries.
Delayed Ship Order
A Service Center-authorized IBO whose order date falls on the last business day of the month may place an order to obtain PV/BV for that month and delay shipment of the order, along with charges, until his/her next scheduled ship day.

Depth
Anyone in your group is in your “downline” or in your “depth.” “Building depth” is the process by which you assist those whom you have registered to register others. When you register someone, they are “one in depth” from you, or your organization is now “one level deep.” Their registered IBOs are “two deep” from you or “two in depth” from you, and so on.

Diamond
A Diamond. See Section D for qualifications and rewards.

Diamond Plus Bonus
A Diamond Plus Bonus is paid to Diamonds and above who meet certain requirements. See Section D for the Diamond Plus Bonus Schedule.

Disposition Codes
These are letter codes designating what action has been taken on each item on an order: SHP, B/O, TNA, I/I, A/O, BOS, AOS, ANS, NAW or NLA. Explanation of the codes is on each packing slip, so an IBO, Member or Client can determine why an item was not shipped. (These codes are defined in the list of abbreviations following this dictionary.)

Document Management Department
Processes new IBO applications, renewal forms and address changes.

Double Diamond
A Double Diamond. See Section D for qualifications and rewards.

Downline
The IBOs who make up an IBO’s group. Includes people the IBO has personally registered plus people whom those IBOs have registered.

Drop Code
A three-digit alpha code used by the Service Centers to designate areas of distribution, delivery schedules and carriers. IBOs who order from the Service Center are assigned drop codes. All individual parcels of a Service Center order will have the drop code on the label to facilitate sorting.

E

Eaches
Service Center-authorized IBOs have the option of ordering most core line products in “eaches” (single items) instead of in case quantities. There is an additional charge (included in the IBO cost) when ordering a product as an “each” compared to the unit cost of the item when ordered in cases.

Emerald
An Emerald. See Section D for qualifications and rewards.

Emerald Profit Sharing Bonus
At the end of each fiscal year, a Profit Sharing Bonus is determined and paid to eligible Emeralds and above in the U.S. and Canada who have three or more qualified North American legs, based on the profitability of each company during the year. See Section D for details.

Executive Diamond
An Executive Diamond. See Section D for qualifications and rewards.

Expo
Expo is like a trade fair – various products are displayed and promoted, employees from different corporate departments staff the booths, and IBOs attend to ask questions and obtain information.

Front Line IBO
Refers to the IBOs you personally register. When an IBO registers a new person, the new IBO becomes part of that person’s “front line.”
IBOs increase their front line by continuing to personally register new IBOs.

**G**

**Group**
Term used to describe all IBOs who have been personally registered by you in addition to all IBOs registered by those people, and so on (see “Downline”). See Personal Group.

**Group Volume**
Includes an IBO’s Personal Volume, pass-up from all non-25% Group Leaders and all down-line Associate IBOs’ (Class 9) volume. It also includes the volume from non-25% IBOs above a maximum Performance Bonus level (25%) foster registered IBOs. This volume is used to calculate an IBO’s Performance Bonus percentage. Negative volume is included/applied.

**I**

**Independent Business Owner (IBO)**
Shall refer to the individual(s) operating an Independent Business pursuant to a contractual relationship with the Corporation.

**IBO Cost**
The price at which IBOs purchase merchandise.

**IBO Registration Form**
The application an IBO must fill out and send to the Corporation in order to be permitted to own and operate an Independent Business.

**Independent Business Owners Association International (IBOAI) (U.S. & Canada)**
The IBOAI is an association for IBOs that provides the IBO organization a channel of communication with the Corporation, primarily through the IBOAI Board.

**Independent Business Owners Association International Board (IBOAI Board)**
Thirty IBOs serve on the Board, which is the governing body for the IBOAI: 15 are elected by all qualified U.S. and Canadian Platinum and above, and 15 are elected by the elected Board members from a slate nominated by the Corporation. Each member serves a three-year term.

The Board’s mission is to advise and consult with the Corporation on all aspects of the business and to take an active role in shaping the Corporation’s future. Leading the Board is an Executive Committee, which establishes goals and objectives for the four committees that focus on different facets of the business: Awards & Recognition, Business Operations, International, and Legal & Ethics.

**Independent Business Ownership Plan**
The method by which an IBO builds a business. The IBO Plan is unique and based on two fundamental concepts: selling and registering others who sell. IBOs are required to provide every prospect with a copy of the Independent Business Ownership Plan (SA-4400).

**Intent to Continue (ITC)**
Commonly known as “renewal.” Every IBO must file an Intent to Continue Form each year to renew their Independent Business. The IBO must pay the renewal fee and complete an ITC Form by Dec. 31.

**Invoice**
A confirmation of an order issued to an IBO. It provides the IBO and the Corporation with an accounting of the merchandise ordered, PV and BV, IBO cost, suggested retail, tax, postage, redeemed vouchers/coupons, shipping information and IBO information.

**Invoice Number**
A number assigned to each order placed with the Corporation. The first four digits of the invoice number signify the date the order was placed and the month PV/BV was credited for that order. It is important to refer to the invoice number in all transactions regarding the order.
**K**

**Key**

The three first letters of an IBO’s business name as listed on the Corporation’s records. (eg.: Jones, Inc. = JON).

**L**

**Lead**

Any e-mail, letter or phone call received at the Corporation from non-IBOs or non-Members indicating they want more information, want to purchase products or want to become IBOs or Members.

**Leadership Bonus**

Paid each month by the Corporation to a qualified Platinum or Silver Producer or above who personally registers a qualified 25% group. See Section D for details.

**Leg**

When you register an IBO and begin to help that IBO create a group, that group will be referred to as a “leg.”

**Line of Sponsorship (LOS)**

Refers to your direct heritage or “ancestry” in the business: your sponsor, your sponsor’s sponsor and so on. A line of sponsorship is the linkage between all IBOs in a specific organization, somewhat like a family tree.

**M**

**Member**

A customer entitled to buy products and services at member pricing and to take advantage of any member benefits offered.

**Monthly Depth Bonus**

See Section D for qualifications and rewards.

**N**

**New Platinum Seminar**

After an IBO is awarded the title of Platinum for the first time, he and/or she are invited to a two-day business meeting at the Corporation, all expenses paid.

**North American Business Relations Division**

Handles IBOs’ questions about the Growth Program, product and services promotions, day-to-day inquiries and all aspects of the Independent Business Ownership Plan.

**Nutrilite**

A division of Amway Corporation. Located in Buena Park, Calif., Nutrilite manufactures dietary supplements. Nutrilite products were added to Amway’s product line in 1973. Rich DeVos and Jay Van Andel were Nutrilite distributors before founding Amway.

**Nutrilite Savings Stamp Program**

Incentive program for all Nutrilite Double X® Supplement users. Each unit of Double X supplement has a “proof of purchase” imprinted on the carton end-flap. Ten P-O-Ps can be redeemed for a free box of Double X supplement with zero PV and BV.

**P**

**Order Number**

A number assigned to an order by the ordering IBO. The number sequence helps IBOs keep accurate records of their orders.

**Order-Authorized IBO**

Any IBO who is authorized to order directly from the Service Centers.

**Packing List**

A computerized list included with each order shipped, with the exception of Amagift® Album redemptions. On the packing list, all items ordered (stock number, quantity and description) will be listed along with the ship status, the ship-to address, ordering IBO’s IBO number, order date and invoice number.

**Pass-Up**

PV/BV created by non-qualified IBO volume that continues to be passed up until combined volume reaches the 25% Performance Bonus level.
Platinum
The Platinum is considered the leader of his/her group and, following approval as a Platinum, is invited to a New Platinum Seminar. See Section D for qualifications and rewards.

Point Value (PV)
Every product has an established PV number. An IBO’s monthly PV total determines the percentage used for Performance Bonus payments in accordance with the Performance Bonus Schedule.

PV/BV Transfer
A method of moving PV/BV from one IBO to another. Transfer of volume assures bonus checks are paid correctly. See Section E for details.

Registration
Introducing others to the business and having them sign up as an Independent Business Owner, using the IBO Registration Form.

Residuals
Ongoing income an IBO can earn from certain services, such as MCI WorldCom™ customers’ long-distance calls.

Retail Sales Rule
Rule 4.22 of the Rules of Conduct. In order to obtain the right to earn Performance Bonuses during a given month, the registering IBO must make at least one retail sale to each of 10 different Clients or Members or make at least 50 PV worth of retail sales to any number of Clients or Members that month, and upon request produce proof of such sales to his or her sponsor and upline Platinum.

Ruby
A Ruby. See Section D for qualifications and rewards.

Ruby Volume
Monthly volume used to determine a qualifying Ruby Bonus month. Ruby Volume includes all Personal Volume plus pass-up from down-line non-qualified Silver Producers (Class 4 or 6). Ruby Volume does not include Platinum
**Dictionary**

**70% Rule**
Rule 4.18 of the Rules of Conduct. To summarize: An IBO must sell at wholesale and/or retail at least 70% of the total amount of products he bought during a given month to receive the Performance Bonus or recognition due on all the products bought. This rule reinforces the important philosophy that merchandising products is the foundation of the IBO Plan.

**Silver Producer (SP)**
See Section D for qualifications.

**Special Shipping Rate**
Some items in the Store For More have a special shipping rate, which is to be used instead of the normal percent of suggested retail. For example, an expensive watch would carry a high postage charge if the percent calculation was used, perhaps many times over the actual shipping costs. For that reason, the Corporation sets a special postage rate for that item which covers the actual cost of shipping.

**Total Platinum and Above Volume**
Includes an IBO’s Personal Group Volume and all qualified and non-qualified Silver Producer/25% Sponsor volume. It does not include any qualified or non-qualified Platinum or above volume.

**Triple Diamond**
A Triple Diamond. See Section D for qualifications and rewards.

**Truckable**
Any item too large or heavy to be shipped by UPS or Parcel Post. May be shipped by a contract carrier. Note that most of these carriers are only required to help the recipient get the merchandise off the truck. They do not help uncrate or move it into a dwelling without charging an additional residential delivery charge.

**25% Sponsor**
When you reach the 25% level due to registering of a qualifying Silver or Platinum, you...
will be a 25% Sponsor and receive a 25% Performance Bonus. See Section D for details.

**U**

**Unit**
A single item in a case. The quantity of units in a case may vary.

**Upline**
Your “upline” are those IBOs in your line of sponsorship who were registered before you.

**V**

**Volume Following the Order**
Any IBO who places an order on behalf of another IBO can request that the volume for the order be credited to that IBO. Volume for orders placed with the Corporation can only be designated to another IBO when the order is placed on their behalf.

**W**

**Warehouses**
An informal name for the Service Centers in the U.S. and Canada or the Catalog Distribution Centers in Michigan and Nevada.
Abbreviations

1099 – IRS Form 1099-MISC
AF – Air Freight
ANS – Available Next Season
A/O – Advance Order
AOS – Advance Order Shipped
A/R – Accounts Receivable
B/O – Back Order
BOS – Back Order Shipped
BIS – Bonus Information Summary
BSMs – Business Support Materials
BSMAA – Business Support Materials Arbitration Agreement
BV – Business Volume
CDC – Catalog Distribution Center
CHG – Charge
COD – Collect on Delivery
CRD – Credit
EOM – End of Month
FAA – Founders Achievement Award
FC – Freight Collect
FP – Freight Prepaid
IBO – Independent Business Owner
IBOAI – Independent Business Owner Association International
II – Insufficient Information (e.g., color/size on order)
ITC – Intent to Continue Form
LOS – Line of Sponsorship
MGA – Millennium Growth Awards
NAW – Not Available at this Warehouse
NCR – No Charge, Reorder
NCS – No Cost Shipment
NLA – No Longer Available
NSF – Non-Sufficient Funds (returned check)
NYA – Not Yet Available
OS&D – Overages, Shortages and Damaged Merchandise
OTC – Over-the-Counter
PIN – Personal Identification Number
PP – Postage Paid
PPD – Postage Prepaid
PV – Point Value
SHP – Ship
SIP – Sales Incentive Program
SKU – Stock Keeping Unit (stock number)
SP – Silver Producer
SZ/CL – Size/Color
TNA – Temporarily Not Available
UPS – United Parcel Service
USPS – United States Postal Service

Rev. January 2000
The Code of Ethics

As an IBO, I agree to conduct my business according to the following principles:

• I will uphold and follow the Rules of Conduct as stated from time to time in official corporate manuals and other literature, observing not only the letter, but also the spirit, of these Rules.

• I will present all products and services and the business opportunity to my Clients, Members and prospects in a truthful and honest manner, and I will make only such claims as are sanctioned in official corporate literature.

• I will be courteous and prompt in handling any and all complaints, following procedures prescribed in official corporate manuals for giving exchanges or refunds.

• I will conduct myself in such a manner as to reflect only the highest standards of integrity, honesty and responsibility, because I recognize that my actions as an IBO have far-reaching effects, not only on my own business, but on that of other IBOs as well.

• I will accept and carry out the various prescribed responsibilities of an IBO (and of an upline and a Platinum IBO when I progress to such levels of responsibility) as set forth in official corporate literature.

• I will use only literature produced or authorized by the Corporation concerning the Independent Business Ownership Plan and products and services.
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What exactly is your “line of sponsorship”? Well, it’s a term that refers to your direct heritage or “ancestry” in the business: your sponsor, your sponsor’s sponsor and so on. A line of sponsorship is the linkage between all Independent Business Owners in a specific IBO organization, somewhat like a family tree.

When you succeed in the business, not only do you benefit but so does your line of sponsorship. Thus, it’s to everyone’s advantage to assist and support each other’s efforts.

Additionally, while many opportunities typically leave you isolated and feeling vulnerable against the harsh realities of the business world, your IBO network can provide you with just the opposite: a helpful, experienced support system to guide you every step of the way. Even if your sponsor is relatively new in the business, your upline Platinum and others in your line of sponsorship are there to help.

Some suggestions:

• Set up a schedule of periodic checkpoints with your sponsor or upline Platinum. At these checkpoints (perhaps every two or three months), you’ll not only review your weekly and monthly progress, you’ll review your goals and make any necessary adjustments in how you want to build your business.

• Stay in close contact with the IBOs you have registered. Answer their questions, help them show the Independent Business Ownership Plan, recognize them publicly for their achievements. Make them feel like an important part of your business and line of registration – after all, they are!

• Besides working closely with your downline IBOs, stay involved with your upline network and all its various activities. We all need to recharge our batteries and renew our commitment from time to time, and your line of registration is always there to help!

Take advantage of the experience and successful track record found in your line of sponsorship. If you’re reading this as a new IBO, just remember that every IBO was in the identical situation you’re in at the moment. If you feel overwhelmed, just remember there are leaders in your line of sponsorship who can show you a well-traveled path to building a successful business.
Independent Business Owners Association International

The IBO Association International is an association for IBOs that provides the IBO organization a channel of communication with the Corporation, primarily through the IBOAI Board.

Thirty IBOs serve on the IBOAI representative body, the IBO Association International Board, which directly advises and consults with the Corporation on all aspects of the business.

IBO Association International Board

The Board was formed to advise and consult with the Corporation on all aspects of the business – to take an active role in shaping the Corporation’s future, to be innovative and to continue the long-term view of the business.

Thirty IBOs serve on the Board: 15 are elected by all qualified U.S. and Canadian Platinum and above, and 15 are elected by the elected Board members from a slate nominated by the Corporation. Terms are three years.

Leading the Board is an Executive Committee that establishes goals and objectives for the four committees that focus on different facets of the business: Awards & Recognition, Business Operations, International and Legal & Ethics.

Some of the Board’s accomplishments include:

BSM Rule. The Business Support Materials Rule reflects the successful working relationship between the Board and the Corporation. The BSM Rule helps reduce the legal and regulatory risk when IBOs use privately produced materials with prospects. The Rule also formalizes, through buyback of materials and the meeting portion of function tickets, the consumer protection many lines of registration have always guaranteed.

Additional rule changes. The ever-changing business climate necessitates updates and amendments to the Rules of Conduct. The Board has recommended modifications in a wide variety of areas: international sponsoring, six-months inactivity, line of sponsorship transfer, minors as IBOs, IBO mergers and person-to-person registering.

IBO insurance. The Board called for and has endorsed an insurance program for active IBOs. The Universal Insurance Services, Inc. Benefits program offers eight plans:

- Comprehensive major medical
- Group term life
- Travel accident
- Accidental death & dismemberment
- Disability
- Dental
- Auto
- Homeowners

The IBO Association International Board meets formally three times annually, while reviewing issues and conducting business throughout the year.
Business Relations is the primary communication link between IBOs and the Corporation. The primary objective of the group is to strengthen the unique “partnering” relationship that exists between the Corporation and its IBOs.

Business Relations’ areas of expertise include the following:
- The Independent Business Ownership Plan
- The Rules of Conduct
- Business Growth Program
- Award qualifications and recognition
- Advocacy for IBOs within the Corporation
- Corporate hosts/representatives at corporate and IBO functions
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An essential element of the business is the nature of the product line: an innovative combination of high quality, wide variety and big value.

While other companies may provide only a single line to sell, we offer you a broad portfolio of products. This innovative approach gives you the choice to be a “mega-merchandiser” or to specialize in a particular product segment.

You can also access a major catalog program that features thousands of name-brand items from clothing to electronics, from popcorn to paper products. Additionally, we work with companies such as MCI to unlock exciting new markets never before considered, where you sell a service once and then can earn residual income for as long as the Client or Member uses the service.

Following is a summary of the basic product categories.

**Home**
- Laundry & Apparel Care
- Household Cleaners
- Air & Water Treatment
- Cookware
- Tableware

**Health**
- Nutrition
- Therapeutic Magnets
- Weight Management

**Self**
- Skin Care
- Cosmetics
- Hair Care

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**Education & Entertainment**
Educational CD-ROM

**Services**
- MCI/WorldCom® Long-Distance Telephone Service
- AMVOX® Global Communications
- SUMMIT Auto Club™
- GETAWAYS™ Travel Program
- Visa® Credit Card
- Franklin Covey Day Planner System

**Business to Business**
- Laundry
- Cleaners and Sanitizers
- Food Service
- Agricultural

**Catalog**
**Store For More**

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†Trademarks: MCI WorldCom (Worldcom, Inc., Jackson, Miss.);
Visa (Visa International Association, Foster City, Calif.).

1 Services provided by Allstate Motor Club, Inc.

Rev. January 2000
We are a recognized leader in our industry. The superior value and high quality of our product line have earned the trust of IBOs, Members and Clients, and make possible our Satisfaction Guarantee.

- **Quality** is designed, built in and assured in each step of the production. Quality cannot be added to a product after it is produced; it must be planned.

- **Quality** is the result of skilled people, quality materials, the best equipment and facilities and a corporate-wide commitment to excellence.

- **Quality** is demonstrated and sold daily on a personal basis throughout the world.

- **Quality** builds business through repeat purchases by satisfied Clients and Members.

- **Quality** is competing in the world marketplace for people’s hard-earned money. The free enterprise system provides consumers with many choices.

Committed to providing you with quality products are: a state-of-the-art research and development division; a marketing group that both develops products and teaches IBOs how to sell them; IBO service groups that answer questions and solve problems; a mile-long manufacturing complex; and a sophisticated distribution system.

We are committed to quality. We are committed to your success.
Our products are of the finest quality, which is why virtually all carry our Satisfaction Guarantee. You can stand behind our products because we stand behind these products. They are manufactured under a rigid quality-control program and are exhaustively tested for quality and performance.

If, for any reason, a Client or Member is dissatisfied with a covered core line product, you should offer to:

• Replace the product without charge.
• Give the Client or Member full credit toward the purchase of another product.
• Refund the full purchase price.

Note that some products are also covered by express written warranties. By the same token, some products (for example, ClearTrak Car-pet Maintenance System, Amway Water Treatment System, and Amway Queen Cookware) are covered by such warranties but not by the Satisfaction Guarantee.

To return a product
If you are a Service Center-authorized IBO, please see Section E, Managing Your Business, “Returned Merchandise Procedures.” If you are not a Platinum or above or Service Center authorized, return the product to your sponsor or upline Platinum.
Know Your Products

The merchandise available from the Corporation will move your business forward. Not only do product sales bring you immediate income, they provide the basis for bonuses when you register IBOs.

Follow these basic steps to become familiar with products and services.

1. **Use the Products**
   When you use the products, you broaden your product knowledge, making them easier to recommend and market.

2. **Study the Products**
   Your understanding of products and services comes not only from using them but by doing a little research about their features, benefits and high level of quality.

3. **Order the Products**
   Now that you’ve tried some of the products, you’ll soon want to order more. You may need to replace those you’ve tried initially, and there are many others, of course, you’ll want to try.

   There are several good reasons why:
   - You obtain the products at IBO cost.
   - You set an example for the IBOs you register.
   - You contribute to the growth of your business instead of the growth of various retail stores in your area.
Market the Products

Nothing happens in this business until you sell a product. As with any business, you make or buy a product at one price and sell it at a higher price to make a profit. If you don’t participate in this basic aspect of free enterprise, you don’t earn income and you don’t have a business.

Thus, the Independent Business Ownership Plan is based on sales to Clients and Members. In fact, you must make product sales to receive a Performance Bonus. Yet, marketing products under the IBO Plan is a bit different from the traditional way of selling merchandise. Here’s a simple step-by-step approach you may wish to try in marketing products.

1. Expand Product Use
   Continue to try different core line and catalog products. Familiarity with our broad line will increase your expertise and confidence when you market the products.

2. Learn More About the Products
   The expertise mentioned in step 1 comes not only from using the products but by doing a little research about their features, benefits and high level of quality.

3. Draft a Plan
   Work with your upline leadership – your sponsor, upline Platinum or another leader in your organization – to draft a business plan that meets your needs and fits the objectives you want to build your business. You’ll want to determine the products to market, people to contact and how often you’ll present the products.

4. Share the Products
   Acquaint those you know – family, friends, neighbors, co-workers – with the extensive line of products that your business offers. Try to interest them in as many product categories as possible, suggesting they switch from Brand X. They’re going to purchase these items anyway, so advise them of the quality products and great service you can provide. And remember to tell them about Member benefits, too.

5. Presentation Tips
   **Show the product.** When you present any product, have the product on hand, if possible. Not only is it more effective for people to see the actual product (instead of just a photo in a brochure), they’ll also have the opportunity to purchase it right on the spot.

   **Speak from experience.** Explain why you’ve found this product to be beneficial. You’ll find that your positive, personal experience with the product can be extremely effective. It’s also easier to present a product when you can speak from experience.

   **Use extra support.** You may want to have promotional literature to refer to or give out. If there’s a corporate video for the product, consider acquiring a copy – it will undoubtedly make your presentations easier and more effective. Some products even have a great demonstration you can do.

   **Stress the Guarantee.** Always remind consumers they can’t lose with core line products – they’re assured of quality and satisfaction thanks to the Satisfaction Guarantee. Because we stand behind our products, you can offer your Client or Member the choice of replacement without charge, full credit toward the purchase of another product or a refund of the full purchase price. (Products purchased from Partner Stores are covered under their own guarantees. See Partner Stores online.)

6. Turn Non-IBOs Into Clients and Members
   Some people to whom you show the IBO Plan may decide not to become IBOs at the time – yet there’s a good chance they’ll want to try some of your products. Not only will you have the opportunity to develop a solid Client/Member base and consistent business volume, you still may sponsor these people some day.
Market the Products

Important Responsibility Statement
• There are many state and federal laws affecting the sale of food supplements and health and fitness products. Therefore, it is important to use only the claims permitted in authorized literature. Using improper literature could lead to violations of food supplement regulations or lead users to believe food supplements are drugs or medications.
• Unless you are a medical doctor, you should not diagnose health complaints or prescribe remedies. Don’t assume that your customers need a certain food supplement or other health and fitness product and don’t tell them that they do.
• Before beginning a significant lifestyle-change program, especially an intensive weight-loss program or exercise program, customers should consult with a physician. If your customers experience pain or discomfort while following a lifestyle-change program, they should discontinue the program and check with their physician.
• Don’t use testimonials from people who report health improvements after using NUTRILITE® Food Supplements. In situations involving weight loss achieved or exercise results claimed from using NUTRILITE products, you may use testimonials, but only if you have documentary proof of the claims at the time you make them.
PV and BV

All products are assigned two sets of numbers:
• PV (Point Value) is a unit amount assigned to each product. It determines your Performance Bonus bracket.
• BV (Business Volume) is a dollar figure for each product. BV is used for the calculation of monthly and annual bonuses.

You earn PV and BV on products sold to Clients, Members and other IBOs, and by using the products yourself. The amount of your Performance Bonus is determined by both PV and BV.

You earn income in two ways, the first of which is your Immediate Income.

Immediate Income

Your Immediate Income is the difference between the price at which you buy products from the Corporation or your sponsor and the price at which you sell them to your Clients. There are actually three ways to express Immediate Income:
• Basic Discount: a percentage of BV
• Markup: a percentage of IBO cost
• Percentage Discount: a percentage of suggested retail

You receive Immediate Income as soon as you are paid by your Clients.

The suggested retail prices stated in company publications are suggested prices only. You are not obligated to charge these prices. Each IBO is entitled to determine independently the prices at which products may be sold to other IBOs or Clients. The suggested basic discount varies with each product. If you follow the suggested basic discount, it should average out at about 30% of BV.

Performance Bonus

The second way you can earn income is through a Performance Bonus.

You can earn a Performance Bonus each month based on the total PV and BV of all products you’ve purchased during the month. This is a percentage bonus that varies according to your total monthly PV. As you can see by looking at the Performance Bonus Schedule, the greater your total monthly PV, the greater your Performance Bonus percentage.

Computing your Performance Bonus percentage on PV puts the emphasis on units sold, not selling price. As inflation causes prices to increase, you receive a larger bonus for the same unit sales.

And the Performance Bonus is based not only on your own personal volume, but also includes the volume of the IBOs and Members you sign up. You pay out Performance Bonuses earned by those you register from the Performance Bonus you receive.

Performance Bonus Schedule

The following is the full Performance Bonus Schedule used by the Corporation in computing Performance Bonuses paid to IBOs who do business directly with the company.

<table>
<thead>
<tr>
<th>If your total monthly PV is:</th>
<th>Your Performance Bonus is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,500 or more</td>
<td>25% of your BV</td>
</tr>
<tr>
<td>6,000</td>
<td>23%</td>
</tr>
<tr>
<td>4,000</td>
<td>21%</td>
</tr>
<tr>
<td>2,500</td>
<td>18%</td>
</tr>
<tr>
<td>1,500</td>
<td>15%</td>
</tr>
<tr>
<td>1,000</td>
<td>12%</td>
</tr>
<tr>
<td>600</td>
<td>9%</td>
</tr>
<tr>
<td>300</td>
<td>6%</td>
</tr>
<tr>
<td>100</td>
<td>3%</td>
</tr>
</tbody>
</table>
Submitted Ideas

On occasion, IBOs, Members and Clients or other individuals express interest in submitting ideas to the Corporation. Such ideas include processes, formulas, designs, models, products, materials or anything that represents value to the submitter and is unprotected by law.

We welcome all ideas. To ensure rapid handling and a clear understanding between the submitter and the Corporation, we have a standard procedure for reviewing submitted ideas. A Submitted Ideas Bulletin that includes a Submitted Idea Agreement Form (O-342) may be requested in writing from the New Business Development Division or by calling 616-787-7897 and leaving your name, address and phone number information. This bulletin addresses all aspects of idea development, including secrecy, honoraria, compensation and returning submitted materials.

Vendors who wish to sell us an existing patented product need not follow this procedure, but should contact New Business Development to review the item.
All products are formulated, evaluated and tested with safety in mind. Occasionally, however, an unanticipated or accidental exposure may occur in which you may want to contact your physician or local poison control center.

We have supplied product information and first-aid recommendations to poison control centers through the Poisindex™ Information System. Most poison control centers and many hospital emergency departments subscribe to this service and use it to access product information rapidly in emergency situations.

Additionally, to help protect you, your family and your Clients and Members, we offer a **24-hour Emergency Hotline: 616-787-6307.**

An expert staff of physicians, registered nurses, pharmacists and toxicologists will provide immediate advice on how to handle product-related exposures at home and in the workplace, allergic reactions and spills.

The corporate Emergency Hotline is offered in cooperation with the Pittsburgh Poison Center at Children’s Hospital of Pittsburgh. The Hotline offers translation services for more than 80 languages and dialects, and every caller receives a follow-up phone call to ensure the situation has been resolved.

The Emergency Hotline is the final step in our careful attention to product safety. For greater protection, all core line products are labeled (when appropriate) with hazard warnings and first-aid instructions, and may also have child-resistant closures.

†Trademark: Poisindex (Micromedex, Inc., Denver, Col.).
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  3. Make Appointments
  4. Review the Registration Materials
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  6. Follow-up
  7. Follow Through With New IBOs

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    Platinum
    Ruby
    Emerald
    Diamond
    Executive Diamond
    Double Diamond
    Triple Diamond
    Crown
    Crown Ambassador

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  Emerald Profit Sharing Bonus
  Ruby Bonus
  Monthly Depth Bonus
  Emerald Bonus
  Diamond Bonus
  Diamond Plus Bonus
While the basic functioning of your business is dependent on marketing products, building your business comes from both marketing products and registering IBOs who market products. The larger your IBO network, the greater the potential for your business. Building a balanced business – combining registering and marketing – leverages your time to its best advantage.

Your IBO organization probably has a proven method, so listen to them. We also offer the following basic suggestions.

1. **Draft a Plan**
   Work with your upline IBO to draft a plan. Put together a detailed plan as to how often you’ll show the IBO Plan. In the beginning, your upline Platinum will probably present the IBO Plan to your prospects. As time goes on, you’ll become more comfortable and do more of the presentation yourself.

   You can use a calendar to plan your time during the upcoming month that you’ll devote to your business: attending meetings, showing the IBO Plan, ordering and picking up products and learning more about the business.

2. **Make a List**
   Write down the names of potential IBOs. Understand that they are not just people you assume will want to be IBOs. There’s no way you can predict who will be interested in starting a business of their own. There also is no way you can foresee who will start a business and then build it into a thriving enterprise.

   Hence, you probably don’t want to pre-judge anyone, even if you think they’re “too successful” to consider a business. First, they may not be happy with their current “successful” situation. Second, they may be looking for a new challenge. Third, the habits that have made them successful bode well for success with a business. Only they can decide – you would not want to be the one to make the decision to deprive them of this opportunity. Your role is one of a messenger or facilitator, to let them know there’s a proven opportunity ready and waiting.

Therefore, make a comprehensive list – friends, family, neighbors, co-workers, acquaintances, people with whom you do business. Then, after each name, write either the phone number or when you’ll speak to them in person.

3. **Make Appointments**
   Work with your IBO network when scheduling appointments. One way to present the IBO Plan is for you to host small business meetings in your home where your sponsor or upline Platinum conducts the presentation. Another way is to meet one-on-one at their home or at a restaurant. Also, many organizations have regular meetings where you can bring prospects to learn about the business, see the products and get to meet some of the successful people in this business.

   Whichever way you choose, be sure to explain that this will be a *business meeting*, not, for example, a “party” or a “seminar on how to save on taxes.” You must never deny the meeting is about, or leave the impression it is about, something other than the business opportunity.

4. **Review the Registration Materials**
   If you’re a new IBO, refer to the Independent Business Ownership Plan (SA-4400) – the one required piece of literature you must hand out whenever you present the IBO Plan.

   Your IBO organization may also have its own materials. As long as these materials have been authorized for use with prospects by the Corporation, you may use them. (You should see some designation, such as “Contents Reviewed” or “CR,” on all authorized materials.) In any case, you always must give your prospect a copy of the SA-4400 when you present the IBO Plan.

5. **Present the IBO Plan**
   Wherever you meet with interested people – in their home, at a coffee shop, at a small meeting in your home or at an open meeting in a hall – you should be professional in your approach. You may want to consider the following suggestions:
Registering

- Wear business attire.
- If you’re hosting the meeting, serve simple refreshments, such as coffee and food bars.
- Do not allow pets, children, the telephone or the television to intrude on the meeting—remember, this is a business presentation.

If you’re new to the business, your sponsor or an upline IBO will likely present the IBO Plan for you. You’ll want to study their approach as a guide for when you begin to show the IBO Plan. However, here is a typical sequence in introducing a prospect to the IBO Plan:

a. You’re excited about a business and you think they may be interested also.
b. You had some specific dreams and goals and realized this was a way to help you reach them.
c. Do they have any dreams or goals?
d. Discuss the advantages of the business in achieving dreams and goals: product line, business plan, benefits program.
e. Review any corporate or authorized materials.
f. You must state the following whenever you present the IBO Plan: “The examples I will use are simply to show how the IBO Plan works. They are not intended to project or promise any actual earnings. I’ll be giving you a brochure which fully describes the IBO Plan and which contains average profits, earnings, and sales figures and percentages.”
g. You must give them the latest version of the SA-4400. Also provide any other literature or materials you think would be helpful.
h. Answer any questions. If they want to think it over, don’t pressure them—just say you’ll be getting back with them in a couple of days.

6. Follow-up

Get back to them within 24 to 48 hours of showing the IBO Plan. This is when their enthusiasm is at its peak. After a couple of days, the enthusiasm may subside and they may start to make excuses why a business won’t work for them.

You’ll hear numerous excuses for not starting a business, and many of those excuses are based on misconceptions about the opportunity. Your upline can help you dispel those misconceptions and help you convince many undecided prospects to make a positive move.

If, however, a prospect decides not to become an IBO, offer to service him or her as a Client or Member.

7. Follow Through With New IBOs

The same idea holds true with new IBOs as with uncommitted prospects: don’t allow their initial enthusiasm to drop off. If you’re a new IBO yourself, you may not be able to answer all their questions. But you can work together as a team, sharing experiences, encouraging each other’s progress, and following the examples set by the leaders in your line of sponsorship.
To recognize and reward your achievements, there is an extensive award and bonus system. Pins and plaques are awarded in honor of business-building achievements, and recognition is also given. These bonuses and awards are continually updated to encourage growth and vitality, so refer to current materials or contact your line of sponsorship with questions. To be eligible for these awards, you must be in compliance with all the provisions of the Code of Ethics and Rules of Conduct.

**IBO Awards**

*Note:* Bonuses in this chart are explained in detail following this IBO Awards chart.

<table>
<thead>
<tr>
<th>Qualification Requirements</th>
<th>Bonuses/Rewards/Business Conferences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25% Sponsor</strong></td>
<td>You are eligible to:</td>
</tr>
<tr>
<td>Reach the 25% level for registering a qualifying Silver Producer or Platinum in North America. (See calculation rules for foster sponsors.)</td>
<td>• Receive a 25% Performance Bonus.</td>
</tr>
<tr>
<td><strong>Silver Producer</strong></td>
<td>You are eligible to:</td>
</tr>
<tr>
<td>Achieve any one of the following for one month:</td>
<td>• Receive a 25% Performance Bonus.</td>
</tr>
<tr>
<td>1. Generate Award Volume of at least 7,500, or</td>
<td>• Receive a Silver Producer pin.</td>
</tr>
<tr>
<td>2. Register or foster register one 25% group and have at least 2,500 Award Volume, or</td>
<td></td>
</tr>
<tr>
<td>3. Register or foster register at least two 25% groups in the same month.</td>
<td></td>
</tr>
<tr>
<td><em>Internationally sponsored groups may not be used for Silver Producer qualification.</em></td>
<td></td>
</tr>
</tbody>
</table>
Awards and Bonuses

Qualification Requirements

Platinum

Becoming a Platinum is an important milestone. A Platinum usually buys products and business materials directly from the Corporation rather than from a Platinum or above. The Platinum is looked upon as the leader of his own group. As a Platinum, you train, supply and motivate your personal group, teaching them to assume the leadership responsibilities in their own groups.

You may qualify/requalify as a Platinum by achieving the following:

A. Achieve any one or any combination of 1, 2, or 3 for any 6 months within the fiscal year.1 (At least 3 of the 6 months must be consecutive for the first Platinum qualification.)
1. Generate Award Volume of at least 7,500, or
2. Register or foster register one 25% group and have at least 2,500 Award Volume, or
3. Register at least two 25% groups in the same months.

Internationally sponsored groups may not be used for Platinum qualification.

B. Be an IBO in good standing, meet all requirements as set forth in the Rules of Conduct, and be at least 18 full years of age or the age of majority in the state of residency, whichever is older.

Bonuses/Rewards/Business Conferences

In short, becoming a Platinum means you’re entering a new phase of the business. You continue doing the things that made you a Platinum—registering IBOs and marketing products—but now you’re also a recognized leader with new, challenging and exciting responsibilities.

You are eligible to:

• Be invited to the two-day, expenses-paid New Platinum Seminar at the corporate World Headquarters to meet the management team, tour the facilities and receive an abundance of information to assist your business-building efforts.
• Receive the maximum 25% Performance Bonus each month you qualify, according to the Performance Bonus Schedule.
• Participate in the annual Sales Incentive Program, published each year.
• Receive a Platinum pin.
• Receive recognition.

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1 The exception to the 6-month Platinum qualification within the fiscal year is for those who qualify for the very first time and overlap fiscal years. The exception is as follows: If a new Platinum starts his qualification in April or later, thereby not allowing completion within the fiscal year, the IBO may overlap into the next fiscal year if he qualifies for 6 consecutive months with no break in qualification from his original Silver Producer month.

Example: An April qualifier may qualify April through September to complete his 6 months. To retain the title and privileges of a Platinum, you must requalify each fiscal year (Sept. 1 – Aug. 31) by having at least 6 qualified months within the fiscal year.
# Awards and Bonuses

## Qualification Requirements

### Ruby
IBOs who generate Ruby Volume (Personal Group Volume including pass-up volume from non-qualified Silver Producers or 25% Sponsors) of 15,000 or more points in a given month will qualify for eligibility as a Ruby.

### Emerald
IBOs who personally, internationally, or foster register 3 or more qualified groups, each of which qualifies at the maximum Performance Bonus level for at least 6 months of the fiscal year, qualify for eligibility as an Emerald.

### Diamond
If you personally, internationally or foster register 6 qualified groups (3 groups must be North American), each of which qualifies at the maximum Performance Bonus level for at least 6 months of the fiscal year, you qualify for eligibility as a Diamond.

## Bonuses/Rewards/Business Conferences

### You are eligible to:
- Receive the monthly Ruby Bonus.
- Receive a Ruby pin.
- Receive recognition.

### You are eligible to:
- Receive the yearly Emerald Bonus.
- Receive an Emerald pin.
- Be featured in a story.
- Participate in the Emerald Profit Sharing Bonus.

### You are eligible to:
- Receive the yearly Emerald and Diamond Bonus.
- Receive the yearly Diamond Plus Bonus, if you have 7 or more qualified groups.
- Receive a Diamond pin.
- Be featured in a story.
- Participate in the Emerald Profit Sharing Bonus.

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1 Internationally registered groups may be used to qualify for award levels of Emerald and above. They may not be used for qualification of bonuses except for one-time cash bonuses at the Double Diamond and above levels or Founders Achievement Award (FAA).
### Awards and Bonuses

#### Executive Diamond
If you personally, internationally or foster register 9 qualified groups, each of which qualifies at the maximum Performance Bonus level for 6 months of the fiscal year, you qualify for eligibility as an Executive Diamond.

You are eligible to:
- Receive the yearly Emerald, Diamond and Diamond Plus Bonus.  
- Receive an Executive Diamond pin.  
- Be featured in a cover story.  
- Participate in the Emerald Profit Sharing Bonus.

#### Double Diamond
If you personally, internationally or foster register 12 qualified groups, each of which qualifies at the maximum Performance Bonus level for 6 months of the fiscal year, you qualify for eligibility as a Double Diamond.

You are eligible to:
- Receive a one-time cash bonus of $25,000.  
- Receive the yearly Emerald, Diamond and Diamond Plus Bonus.  
- Receive the Double Diamond pin.  
- Be featured in a cover story.  
- Participate in the Emerald Profit Sharing Bonus.

#### Triple Diamond
If you personally, internationally or foster register 15 qualified groups, each of which qualifies at the maximum Performance Bonus level for 6 months of the fiscal year, you qualify for eligibility as a Triple Diamond.

You are eligible to:
- Receive a one-time cash bonus of $50,000.  
- Participate in a special business conference at the Peter Island resort in the Caribbean. You and your immediate family are invited and all expenses are paid by the Corporation.  
- Receive the yearly Emerald, Diamond and Diamond Plus Bonus.  
- Receive the Triple Diamond pin.  
- Be featured in a cover story.  
- Participate in the Emerald Profit Sharing Bonus.
## Awards and Bonuses

### Qualification Requirements

**Crown**
If you personally, internationally or foster register 18 qualified groups, each of which qualifies at the maximum Performance Bonus level for 6 months of the fiscal year, you qualify for eligibility as a Crown.

**You are eligible to:**
- Receive a one-time cash bonus of $100,000.
- Receive the yearly Emerald, Diamond and Diamond Plus Bonus.
- Receive the Crown pin.
- Be featured in a cover story.
- Have a formal portrait displayed in the “Hall of Achievement” at World Headquarters.
- Participate in the Emerald Profit Sharing Bonus.

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**Crown Ambassador**
If you personally, internationally or foster register 20 (or more) qualified groups, each of which qualifies at the maximum Performance Bonus level for 6 months of the fiscal year, you qualify for eligibility as a Crown Ambassador.

**You are eligible to:**
- Receive a one-time cash bonus of $150,000.
- Receive the yearly Emerald, Diamond and Diamond Plus Bonus.
- Receive the Crown Ambassador pin.
- Be featured in a cover story.
- Have a formal portrait displayed in the “Hall of Achievement” at World Headquarters.
- Participate in the Emerald Profit Sharing Bonus.

---

1 Internationally sponsored groups may be used to qualify for award levels of Emerald and above. They may not be used for qualification of bonuses except for one-time cash bonuses at the Double Diamond and above levels or Founders Achievement Award (FAA).

2 Three groups must be North American.

3 All qualifications and requalification are subject to review and approval.
Leadership Bonus

The Leadership Bonus is paid each month by the Corporation to a qualified Platinum or Silver Producer according to the calculation rules.

In the course of building your business, you may motivate and train an IBO until that IBO reaches the level of Silver Producer or Platinum. At that level, both you and your Platinum or Silver Producer may be in the same Performance Bonus percentage bracket: 25%.

The Platinum or Silver Producer who qualifies for the Leadership Bonus has demonstrated the ability to work hard in order to attain high levels of performance. We believe this hard work, ability and performance merit the award of the Leadership Bonus.

Therefore, to provide you with an incentive to develop a Platinum or Silver Producer and to compensate you for the hard work involved in doing so, the Independent Business Ownership Plan provides for payment of a Leadership Bonus. This bonus is computed on the Group BV of each qualified 25% group you register.

Under this system, you can receive the Leadership Bonus as long as the Platinum or Silver Producer qualifies and as long as you maintain your own Group Volume (as explained in “Rules Governing the Calculation of the North American Leadership Bonus,” which follows).

Rules Governing the Calculation of the North American Leadership Bonus

A. A Leadership Bonus is paid on every dollar of BV each month by the Corporation, which computes and pays all Leadership Bonuses.

B. The Leadership Bonus is computed from the bottom up – never from the top down.

C. You must have at least 2,500 Group Volume to receive any Leadership Bonus if you register one qualified group. The 2,500 Group Volume does not include any downline qualified volume (25%). However, it will include pass-up volume.

D. Once the Leadership Bonus Adjustment has been generated, at least that amount of Leadership Bonus must continue to pass up the line of sponsorship.

E. Each leader of a qualified group may be entitled to a Leadership Bonus based on the following rules:

1. You will keep all of the Leadership Bonus generated by your group:
   a. If you register one qualified group and the Leadership Bonus generated by your BV is equal to or exceeds the Leadership Bonus Adjustment or the amount of Leadership Bonus generated to you, or...
   b. If you register two or more qualified groups and the Leadership Bonus generated by your BV is equal to or exceeds the Leadership Bonus Adjustment or the average of the Leadership Bonus generated to you by your qualified groups if the published Leadership Bonus Adjustment hasn’t been generated.

2. You will keep some of the Leadership Bonus generated to you:
   a. If you register one qualified group and the Leadership Bonus generated by your BV is less than the Leadership Bonus Adjustment or the amount of Leadership Bonus generated to you, or...
   b. If you register two or more qualified groups and the Leadership Bonus generated by your BV is less than the Leadership Bonus Adjustment or the average Leadership Bonus generated to you if the Leadership Bonus Adjustment hasn’t been generated.

3. You will keep none of the Leadership Bonus generated by your group if you register one qualified group and your Group Volume is less than 2,500.

Pass-Up Volume

An IBO can also receive the Performance Bonus differential on pass-up volume, which is any volume below the 25% Performance Bonus level developed by a 25% sponsor, Silver or Platinum. This volume passes up the line until it reaches an IBO who has attained 7,500 Group Volume.

Negative Volume Roll-Up

If, at the close of monthly business, a downline IBO has a net negative volume amount,
Monthly and Annual Bonuses

Bonuses and No. 2 Business

For all bonuses, a business known as a “No. 2 business,” which has been purchased or otherwise acquired and is being operated in the same or different line of sponsorship, is treated as a completely separate business. Volumes generated by the two businesses are not combined for purposes of calculating bonuses or for award purposes.

Emerald Profit Sharing Bonus

At the end of each fiscal year, the Corporation determines whether to pay a Profit Sharing Bonus to Emeralds and above in the U.S. and Canada who have 3 or more qualified North American legs, based on the profitability of each company during the year. This bonus is not guaranteed, because it can be paid only if there are sufficient corporate profits to fund such payments.

How the Bonus Is Paid

The Emerald Profit Sharing Bonus is paid 25% in cash and 75% in shares of common stock of Activa Mutual Fund Trust.

It is computed and distributed in the same manner as the Emerald Bonus minus traceable international volume. (See “Emerald Profit Sharing, Emerald and Diamond Bonus Schedule” at end of this section.)

Note: You can use Activa Mutual Fund Trust shares as the nucleus of a sound investment/savings program. In addition to a regular mutual fund account, U.S. IBOs also can use these shares to fund an Internal Revenue Service-approved Self Employed Retirement Plan with tax-deferral benefits. Retirement plans offered by Activa Mutual Fund Trust include traditional IRAs, Roth IRAs, SEPs and a Master Profit Sharing Plan (Keogh). After the Emerald Profit Sharing distribution has been made, the Activa Mutual Fund Trust shares can be redeemed as described in its prospectus. Please contact Activa Mutual Fund Trust for further details.

Qualification/Requalification for Emerald Profit Sharing

To be eligible for Emerald Profit Sharing (if and when declared), an Emerald or above must have at least 3 North American legs, each of which qualify for 6 months within the fiscal year.

Ruby Bonus

An IBO’s monthly Ruby Bonus is equal to 2% of that month’s Ruby Volume, including pass-up volume from non-qualified 25% Sponsors and Silver Producers.

Example:

You develop Ruby Volume of 15,000 PV and $30,000 BV in one month. The Ruby Bonus for that month is $600 (2% x $30,000).

Monthly Depth Bonus

Rules for Qualification for Monthly Depth Bonus

A. The Monthly Depth Bonus is equal to 1% of the BV of all second level qualified groups, down to and including the first qualified Monthly Depth Bonus recipient or above, plus the registered qualified groups of that Monthly Depth Bonus recipient or above.

B. The Monthly Depth Bonus rules guarantee to your upline Monthly Depth Bonus recipient a minimum of 1% of 7,500 Group Volume multiplied by the PV/BV ratio, or 1/4 of the published Leadership Bonus Adjustment, on each of your registered qualified groups as long as the published Monthly Depth Bonus Adjustment is generated.

C. If the Monthly Depth Bonus generated by your registered qualified groups fulfills the Monthly Depth Bonus Adjustment, you will...
Monthly and Annual Bonuses

keep all the Monthly Depth Bonus generated to you by the downline qualified groups, based on the Monthly Depth Bonus calculation (see A on page D-10).

D. If the Monthly Depth Bonus generated by your registered qualified groups does not fulfill the Monthly Depth Bonus Adjustment, an adjustment will be made from the Monthly Depth Bonus calculation (see A on page D-10) to make up the difference.

For simplicity in these examples, one point of PV is equal to $2.00 BV. BV/PV ratio: The average for core line products as of Sept. 1, 1998, is 2.44. The average for products sold through catalogs is 2.00.

Monthly Depth Bonus Example 1:

In this example, the volume generated by groups A, B and C fulfills the Monthly Depth Bonus Adjustment to the upline Monthly Depth Bonus recipient. Therefore, you would receive a Monthly Depth Bonus equal to 1% of the BV of groups D, E, F and G. Your Monthly Depth Bonus would be $600 (1% of 4 x $15,000).
**IBO Bonuses**

**Monthly Depth Bonus**

*Example 2:*

In this example, the volume generated by groups A, B and C fulfills the Monthly Depth Bonus Adjustment to the upline Monthly Depth Bonus recipient. Your Monthly Depth Bonus is equal to 1% of the BV of groups D, E, F, G, H, I and J. You would not receive a Monthly Depth Bonus on the volume of group K, because Monthly Depth Bonus IBO G is entitled to a Monthly Depth Bonus on K’s volume. Therefore, your Monthly Depth Bonus for this month is $619.00 (1% of $700 + $1,000 + $200 + $15,000 + $15,000 + $15,000 + $15,000).

**Emerald Bonus**

The Corporation sets aside an amount equal to 1/4 of 1% of the total North American BV each month. Once qualified by virtue of personally and foster registered groups, the Emerald or above with at least 3 qualified legs from North America receives Emerald Bonus points and payment on North American volume as well as the traceable volume from internationally sponsored qualified groups. At the end of the fiscal year, the Corporation identifies all internationally sponsored volume, links it to the appropriate International Sponsor and corresponding market (one country removed), and pays an Emerald Bonus to both the International and Foster Lines of Sponsorship. All Emerald Bonus recipients may benefit from the expanded fund amounts. (See “Emerald Profit Sharing, Emerald and Diamond Bonus Schedule” at the end of this section.)

**Diamond Bonus**

Qualified Diamonds and above with at least 6 North American legs receive the Diamond Bonus paid out of a fund consisting of 1/4 of 1% of the North American BV. Once qualified by virtue of personally and foster registered groups, the Diamond receives Diamond Bonus points and payment on qualified North American Volume as well as international traceable volume (like the Emerald Bonus). The fund is distributed to eligible participants in accordance with the same formula employed for the calculation of the Emerald Bonus. (See “Emerald Profit Sharing, Emerald and Diamond Bonus Schedule” at the end of this section.)
Monthly and Annual Bonuses

Diamond Plus Bonus

The Diamond Plus Bonus is paid to each IBO who personally or foster registers 7 or more North American qualified groups that qualify at least 6 months of a given fiscal year. The bonuses are paid in cash and are made after the end of each fiscal year from a fund equal to 1/4 of 1% of North American BV.

In the event that total disbursement (in accordance with the schedule shown at end of section) does not consume the total available funds, then all payments are increased on a pro rata basis until the total disbursement equals the available funds.

Likewise, if total disbursements exceed the total available funds, then all payments would be reduced on a pro rata basis until the total disbursement is equal to the available funds.

Example 1:
You register 7 qualified groups, each of which is at the 25% level for 6 months in a given fiscal year. Your Diamond Plus Bonus is computed as follows:
7 (groups) x 6 (months) x $100 = $4,200

Example 2:
You register 11 qualified groups, each of which is at the 25% level all 12 months in a given fiscal year. Your Diamond Plus Bonus is computed as follows:
11 (groups) x 12 (months) x $100 = $13,200

Example 3:
You register 18 groups; 3 of these groups are at the 25% level for 4 months, 5 groups are at the 25% level for 6 months, 5 are at the 25% level for 9 months, and 5 are at the 25% level for 12 months in a given fiscal year.

For the purposes of the Diamond Plus Bonus, 15 of your groups qualify at the 25% level for 6 months or more. You receive $300 for each month during which each of these 15 groups qualified at the 25% level.

5 (groups) x 6 (months) x $300 = $9,000
5 (groups) x 9 (months) x $300 = $13,500
5 (groups) x 12 (months) x $300 = $18,000
Your total Diamond Plus Bonus for the year = $40,500
# Monthly and Annual Bonuses

## Diamond Plus Bonus Schedule

<table>
<thead>
<tr>
<th>Number of 25% groups to qualify (each group at the 25% level for 6 months or more)¹</th>
<th>Estimated payment per group for each month qualified²</th>
<th>Total Bonus¹</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 to 11</td>
<td>$100</td>
<td>$4,200</td>
<td>$4,200</td>
<td>$13,200</td>
</tr>
<tr>
<td>12 to 14</td>
<td>$200</td>
<td>$14,400</td>
<td>$14,400</td>
<td>$33,600</td>
</tr>
<tr>
<td>15 to 17</td>
<td>$300</td>
<td>$27,000</td>
<td>$27,000</td>
<td>$61,000</td>
</tr>
<tr>
<td>18 to 19</td>
<td>$400</td>
<td>$43,200</td>
<td>$43,200</td>
<td>$91,200</td>
</tr>
<tr>
<td>20</td>
<td>$500</td>
<td>$60,000</td>
<td>$60,000</td>
<td>Applicable</td>
</tr>
</tbody>
</table>

¹Internationally sponsored groups are not figured in computation and payment of the Diamond Plus Bonus.

²“Estimated payment per group for each month qualified” and “Total Bonus” may vary (higher or lower on a pro rata basis) based on available funds.

## Emerald Profit Sharing, Emerald and Diamond Bonus Schedule³

<table>
<thead>
<tr>
<th>Business Volume</th>
<th>Points Available Per Bracket</th>
<th>Cumulative Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 up to $25,000</td>
<td>4 points per $1,000 BV</td>
<td>100</td>
</tr>
<tr>
<td>$25,000 up to $75,000</td>
<td>2 points per $1,000 BV</td>
<td>100</td>
</tr>
<tr>
<td>$75,000 up to $125,000</td>
<td>1 point per $1,000 BV</td>
<td>50</td>
</tr>
<tr>
<td>$125,000 and above</td>
<td>1 point per $10,000 BV</td>
<td>Based on volume</td>
</tr>
</tbody>
</table>

³Emerald and Diamond Bonus calculations include traceable volume from internationally sponsored qualified groups. Emerald Profit Sharing Bonus points are calculated on domestic volume only.
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Rev. January 2000
Every IBO who signs up between February and August is eligible to pay a prorated renewal fee their first year.

**Reporting a New Silver Producer**

When an Associate IBO attains 7,500 Award Volume according to corporate records, the Associate IBO will automatically be recognized as a new Silver Producer. If the newly qualified Associate IBO has purchased products from their upline, and a PV/BV transfer is required, then the Platinum or above must mail in or phone in a new Silver Producer report. Check Virtual Office each month for the telephone number and the appropriate dates and times to report a new Silver Producer.

**PV/BV Transfer**

In accordance with the Independent Business Ownership Plan, all PV/BV, regardless of the amount, must be transferred each month. If you supply Silver Producers or above (or any IBOs in their personal group) with products from your monthly purchases or inventory, the volume must be transferred. This allows for a proper accounting of monthly volume for your records, for the records of the business receiving the transfer and for corporate records – as well as the proper payment and accounting of all bonuses and awards.

This transfer must be made regardless of the Performance Bonus level of the Silver Producer or above. (Failure to do so will result in a violation of Rule 5.3.4.1 of the Rules of Conduct, which states that the full PV and BV must always be transferred.

*Note:* Silver Producers and above can make and receive PV/BV transfers.

**How to Transfer PV/BV**

The Platinum or above, Silver Producer or 25% Sponsor from whom the PV and BV is to be transferred must notify the Corporation. PV/BV transfers can be processed using the PV/BV transfer form on Virtual Office. Follow the instructions on the Web site.
Ordering Information

Product Ordering
Detailed ordering information is available in the Go Shopping and Virtual Office sections on the Quixtar Web site.

Volume Following the Order
Any IBO who places an order on behalf of another IBO can request that the volume for the order be credited to that IBO. Volume for orders placed with the Corporation can only be designated to another IBO when the order is placed on their behalf.

Payment of order – The IBO placing the order is responsible for payment regardless of their receipt of payment from the IBO receiving the volume. The IBO receiving the volume credit is responsible for making the necessary payment to the IBO placing the order.

Volume credit – The IBO placing the order will need to indicate that the volume for the order is to be designated to another IBO. The IBO number of the IBO receiving the volume credit must be provided before completing the order.

Additional details to keep in mind:
• Volume credited to the recipient IBO will be instantly reflected in the volume estimates for that IBO.
• This option applies to both core line and Store For More orders.
• There are times when the ordering IBO is placing an order for their downline IBO and the shipment is going to the downline’s Client or Member. The shipment may go to someone other than the volume recipient’s address.

Service Center Authorization
Service Center authorization is a serious step because it assigns the Corporation the right to charge the account of a Platinum or above for any extra costs incurred by a Service Center-authorized IBO, including those for bad checks or bank drafts.

To minimize this possibility, the Platinum or above may indicate on the Service Center Authorization Form (SA-150) whether he accepts responsibility for the authorized IBO’s personal checks or whether the authorized IBO is limited to certified checks, money orders, cash, credit card or debit card.

The Corporation must receive the original SA-150. The form must include the name, IBO number and signature of the Platinum or above, as well as the name and number of the Service Center-authorized IBO, and the approved method of payment. (Only one box for method of payment must be checked.) When the Service Center authorization is in place, the IBO may place an order to be shipped from any Service Center in the continental U.S. or in Canada for shipment within Canada.

Returned Merchandise Procedures
To help us provide you with the fastest, most convenient service possible, please carefully follow the returned merchandise procedures outlined below. (See Customer Service on the Quixtar Web site.)
General Guidelines
The following information highlights some basic bookkeeping matters that affect IBOs. As with any business, keeping accurate records is essential for your business. Accurate records help you analyze your cash flow so you can make adjustments in your business to increase your profit margin. Accurate records of income and expenses also are essential for proper reporting of your business income for federal income tax purposes. Accordingly, for tax and bookkeeping assistance and advice, your tax advisor or certified public accountant should be your final authority.

If you find it difficult to keep adequate records, you may want to purchase the IBO Simplified Bookkeeping System (SA-610). For details see page E-8. For additional information on federal income taxes, you may purchase the booklet, Your Earnings and the U.S. Income Tax (SA-1404), through your regular ordering procedures.

Proper record keeping means more than just maintaining an accurate accounting of income and expenses. You also must keep “original source documents” that substantiate your income and expense reporting. You’ll need this documentation if you’re audited by the IRS. Original source documents include:

• Bank statements
• Retail sales slips
• IBO Order Forms (SA-1)
• Service Center Product Order (SA-2)
• Monthly BV and Performance Bonus Record (SA-291)
• Form 1099-MISC
• Receipts for out-of-pocket cash expenses
• Mileage logs
• Appointment books, agendas and ticket stubs
• Monthly invoices and statements
• Canceled checks
The following guidelines will help you prepare and maintain your records. For tax and bookkeeping advice, see a qualified tax advisor or certified public accountant.

- **Open a separate checking account for your business.** Keep all deposit slips and be sure to record amounts that are personal deposits (such as loan proceeds and savings transfers). Keep all canceled checks.

- **Prepare a yearly Earnings Statement** that shows actual receipts and expenses. Following is a sample statement, plus details on what some of the categories involve.

## Bookkeeping Basics

The following guidelines will help you prepare and maintain your records. For tax and bookkeeping advice, see a qualified tax advisor or certified public accountant.

- **Open a separate checking account for your business.** Keep all deposit slips and be sure to record amounts that are personal deposits (such as loan proceeds and savings transfers). Keep all canceled checks.

- **Prepare a yearly Earnings Statement** that shows actual receipts and expenses. Following is a sample statement, plus details on what some of the categories involve.

### STATEMENT OF EARNINGS

For The Year Ended ______

<table>
<thead>
<tr>
<th>Gross Receipts</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (downlines, retail, personal)</td>
<td>+ ________</td>
</tr>
<tr>
<td>Performance Bonuses received</td>
<td>+ ________</td>
</tr>
<tr>
<td>Gross receipts</td>
<td>= ________</td>
</tr>
<tr>
<td>Returns and allowances</td>
<td>- ________</td>
</tr>
<tr>
<td>Net receipts</td>
<td>= ________</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of Goods Sold</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory, beginning of year</td>
<td>+ ________</td>
</tr>
<tr>
<td>Product purchases</td>
<td>+ ________</td>
</tr>
<tr>
<td>Personal use (not treated as sale to business)</td>
<td>- ________</td>
</tr>
<tr>
<td>Business use items (i.e. promotional)</td>
<td>- ________</td>
</tr>
<tr>
<td>Less: Inventory end of year</td>
<td>- ________</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>= &gt;&gt;&gt; -</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>= $ ________</td>
</tr>
</tbody>
</table>

(Go to top of next column)

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>= &gt;&gt;&gt; -</td>
</tr>
<tr>
<td>Physical fees</td>
<td>+ ________</td>
</tr>
<tr>
<td>Telephone</td>
<td>+ ________</td>
</tr>
<tr>
<td>Total Expenses = &gt;&gt;&gt; -</td>
<td>= $ ________</td>
</tr>
</tbody>
</table>

Net Earnings (Loss)

For the Year = $ _____
1. Gross Receipts
The first step in preparing your Earnings Statement is to summarize your revenue. Revenue includes all gross receipts from your business, including wholesale and retail sales as well as Performance Bonuses earned (and catalog cash-back checks for gross profit).

a. Write down and keep all slips from sales you make, whether they are wholesale or retail. Whenever you use any products personally, prepare a bill to yourself at cost, plus sales tax based on cost, and pay your business account from your personal account. This method requires no adjustment to cost of goods sold because you are treating the personal use as a “sale” to yourself. This will also assist you in filing periodic sales tax adjustment forms (discussed later).

b. Keep copies of all Performance Bonuses and any other IBO bonuses received from the Corporation, its foreign affiliates and your sponsor. Note: Performance Bonuses paid to your personally registered IBOs and the cost of goods sold should not be subtracted from gross receipts.

2. Cost of Goods Sold
The second step in preparing an Earnings Statement is to determine the cost of goods sold during the year. The cost, including shipping, handling and sales tax, of merchandise purchased for resale, can only be deducted “when resold” – not when purchased.

a. If this is your first year in the business, your beginning inventory will be zero. Add to this amount the cost of merchandise purchased. If, during the year, you use some inventory items for yourself or your family (which you do not treat as a “sale” to yourself), or for demonstration or promotional purposes (which you may be able to deduct as an advertising and promotional expense), deduct their cost from the total cost of goods purchased during the year.

b. At the end of the year, make a physical count of the number and type of items you have in stock. Multiply the quantity of each inventory item in stock by the price you paid (including shipping, handling and sales tax). When you have calculated the cost of each inventory item, add up all your inventory product costs to determine your ending inventory. This ending inventory cost is important because it represents your beginning inventory figure for the next year.

c. Add beginning inventory and purchases (with adjustments) and then subtract ending inventory to determine the cost of goods sold.

3. Gross Profit
After you have calculated your business’s gross receipts and cost of goods sold, you can determine gross profit.

a. Calculate net receipts by subtracting any returns and allowances from gross receipts. (Returns and allowances include cash refunds to Clients and Members or personally registered IBOs.)

b. Subtract the cost of goods sold to arrive at your business’s gross profit.

4. Expenses
The following information is provided strictly to help you identify the types of expenses you should keep track of throughout the year. It is information you’ll find useful in preparing your taxes. Because tax laws change frequently, we recommend you seek the advice of a competent tax advisor. Always keep actual receipts when available.

a. Advertising and Promotions
- Paid advertisements, such as listings in the white or yellow pages of the phone directory, classified ads you place in the newspaper, etc.
- The cost of Amway products used in demonstrations and sales presentations.
- The cost of product samples given to Clients, Members and prospects to interest them in purchasing products.
b. **Auto expenses**
   - When you operate your automobile in connection with your business, you should properly document those expenses.
   - Keep a log book in your car to maintain a record of the miles you drive on business. Record the mileage on your car’s odometer at the beginning and end of the year. During the year, write down the miles you drive on business, the dates and the purpose of each trip.
   - You should also use your log book to keep track of actual out-of-pocket expenses, which include gasoline, oil and other auto expenses. Your tax advisor will recommend that either the standard mileage rate or actual out-of-pocket expenses be used in calculating your taxes.
   - Parking fees and tolls incurred in connection with your business travels should also be recorded. When possible, always have actual receipts available.

c. **Bank charges and interest**
   - Costs of writing checks, annual fees, interest on business loans, etc. should all be documented and available for your tax advisor.

d. **Business travel**
   - Each separate amount spent for travel away from home must be proved.
   - Document the dates you left and returned for each trip and the number of days spent on business away from home. Document the travel destination (name of city or other appropriate description). Document the reason for your travel or the business benefit gained or expected from the travel.
   - Your tax advisor should review all your expense documentation to help you decide what expenses may be deducted.

e. **Depreciation**
   - Capital expense items typically purchased by the Corporation’s IBOs include automobiles and office equipment (calculators, desks, computers, etc.).
   - Capital expense items must have a useful life that extends over one year, and you must claim your deductible expense over the life of the item.

f. **Entertainment**
   - For each entertainment expense you deduct, you must be able to prove the amount and the date the entertainment took place; the name, address or location; the type of entertainment (if not apparent); the reason for the entertainment or the business benefit; and the business relationship of the person(s) entertained.

g. **Insurance**
   - Under certain conditions, a self-employed individual can deduct a percentage of health insurance. See your tax advisor to find out if this deduction is available to you.

h. **Licenses, dues and subscriptions**
   - Literature and sales aids
   - Office supplies, stationery and printing
   - Office rent
   - Performance Bonuses paid out
   - Postage and shipping
   - Professional fees
   - Repairs and maintenance
   - Servicing
   - Telephone

5. **Net Earnings (Loss) for the Year**
   - After you have identified and calculated your expenses for the year, you can determine your net earnings (or loss) for the year. Simply calculate your total expenses, then subtract your total expenses from your gross profit.

**IBO Bookkeeping System**

The **IBO Simplified Bookkeeping System** (SA-610) is a simple, easy-to-use bookkeeping record, developed specifically for your businesses. It tells you when and what IRS forms to file, establishes a numbered account system to help track expenses and deductions, and contains monthly summary sheets you can total at the end of the year to prepare your tax return.
A special section helps you track bonuses paid and earned. Another helps you prepare an IBO list to use when issuing Forms 1099-MISC.

These records are invaluable when income tax time comes. The information will be very helpful to you and your accountant in preparing your income tax returns. Remember, the Internal Revenue Service will not accept even a reasonable and necessary business deduction unless it is documented with canceled checks, receipts, etc.

When your business grows to the point where the bookkeeping does call for training and experience – upon your becoming a Platinum, for example – the Corporation strongly recommends that you turn your books over to a professional, then devote your full attention to the fine points of your own business, such as merchandising and registering.
Tax Tips

The following information highlights some of the general tax matters that affect IBOs. Only federal income taxes are discussed here because each state has its own distinct laws. Subsequent changes in the federal tax law, such as congressional amendments or IRS interpretations, may change some of the material covered here. Accordingly, your own personal tax advisor should be your final authority on these matters. This section represents the state of the law as of September 1998.

The following tax tips are for informational and educational purposes only. Do not consider them as a substitute for the personalized counsel of your own tax advisor. Each IBO should retain competent tax counsel, preferably a certified public accountant or attorney who specializes in tax matters, to give you specific advice and guidance in properly accounting for the income and business expenses of your business.

Every December, we update and make available comprehensive information to assist you in preparing your federal income tax return. To obtain this information, you may purchase the booklet *Your Earnings and the U.S. Income Tax* (SA-1404), through your regular ordering procedures. Also, a full-length review of federal income tax as it affects a business may be ordered on audiocassette: *Taxes: Getting It Straight* (VA-3574).

Note that self-styled tax experts occasionally say, as an IBO, you can convert certain personal expenditures into properly deductible business expenses. It is this concept of converting “personal expenses” into “business expenses” that has been referred to as a “tax shelter.” As an IBO, you are entitled to deduct permissible business expenses. However, promoting the business as a “tax shelter” is a distortion of the IBO Plan and cannot be tolerated. Your business is a business-building, profit-generating enterprise and is to be promoted only in that way.

**Sole Proprietorships**

If you conduct your business as a sole proprietorship (one owner), report its income and expenses on Form 1040, Schedule C. Even if you operate your business as a husband-and-wife partnership, you may still use Schedule C of Form 1040 to report business income and deductions. The IRS has said that it will not penalize partnerships with 10 or fewer partners who do not file Form 1065 (U.S. Partnership Return) if all individual partners fully report their share of the income, deductions and credits on their own timely filed individual tax returns. Rev. Proc. 84-35.

**Form 1099-MISC Filed by the Corporation**

Form 1099-MISC is an annual information return which must be filed with the IRS, and a copy must be sent to each IBO who receives $600 or more in bonuses or other payments during the calendar year. In addition, the form identifies those IBOs to whom “direct sales” of $5,000 or more of consumer products for resale have been made during the calendar year.

The Corporation files Form 1099-MISC with the IRS for each IBO, as required by federal income tax law. The form shows the total of all payments made by the Corporation to an IBO, and the IBO will receive a copy of the Form 1099-MISC that the Corporation files for him or her.

**IBOs Must File Form 1099-MISC for Certain IBOs**

Every IBO is required by the IRS to file a Form 1099-MISC to report bonuses and other payments totaling $600 or more paid to or credited to the account of IBOs during the calendar year. Downline IBOs who pay service fees or other payments totaling $600 or more during the calendar year to their upline IBOs should also file a Form 1099-MISC to report these payments. The calculated amount should be inserted in the box on Form 1099 marked “Nonemployee compensation.”

The deadline for providing copies to other IBOs is January 31 of the following year; the deadline for providing copies and the summary Form 1096 to the IRS is February 28 of the
because you received payments of $600 or more; or
• your payer was required to withhold on any of the preceding calendar year’s payments.

The penalty for failure to withhold tax is equal to the amount of tax not withheld.

Estimated Tax Payments
As a self-employed person, you must arrange for the timely payment of your tax obligations. Usually this is done through estimated tax payments. You can pay your estimated tax in four installments. See Form 1040-ES and IRS Publication 505 for specific information.

Self-Employment Tax
You may also need to pay a self-employment tax on the net income of your business. This is a social security and Medicare tax imposed on people who work for themselves. See IRS Publication 533 for more specific information.

Tax Advisor
Tax laws are complicated and there are many pitfalls. Independent businesspeople, such as IBOs, may be somewhat more likely than others to be audited by the IRS. This is due, in large part, to the degree of freedom that independent businesspeople have over the conduct of their business. So if your return is audited, you’ll want the help and representation of an expert who is familiar with your situation.

For these and other reasons, the Corporation recommends that you have a competent personal tax advisor. How can you tell who is qualified to advise you? Your tax advisor:
• Should be an attorney or CPA who specializes in personal and corporate income tax matters.
• Should maintain a local office. It should be within reasonable driving distance to help assure closer communication during the year and your advisor’s presence and representation at any IRS examinations.
• Should show a willingness to take the time needed to understand the IBO Plan and how direct selling differs from other more conventional independent businesses.

Reporting Remuneration for Services and Direct Sales
You must also use Form 1099-MISC to report the name, address and Taxpayer Identification Number of any IBO who purchased $5,000 or more of goods directly from you during the calendar year. In determining the $5,000, you should use the actual prices at which you sold the products to the IBO. You need not include non-resale items, such as samples or catalogs. The same Form 1099-MISC may be used for reporting bonuses and other payments. You must provide copies to IBOs and the IRS by the same deadlines mentioned previously.

Note: The amount of the “direct sales” does not have to be indicated on the Form 1099-MISC.

Backup Withholding
IBOs who do not furnish their Taxpayer Identification Number to their upline (or to the Corporation, if they are paid directly by the Corporation) will find their bonus and other payments subject to withholding at a 31% rate if:
• the aggregate amount of such payments and all of your previous payments for the calendar year equals or exceeds $600; or
• your payer was required to file a Form 1099-MISC for the preceding calendar year

following year. You should consult with your personal tax advisor about information return filing requirements in your state.

Note: IBOs who are being paid by the Corporation will receive a 1099-MISC if the Corporation paid them $600 or more in gross bonuses or if they purchased $5,000 or more in merchandise. If a portion of the calendar year bonuses was paid from the upline and another portion was paid from the Corporation, an IBO may or may not receive a Form 1099-MISC from the Corporation or the upline (or both) depending upon whether the IBO is paid $600 or more, or purchases of $5,000 or more were made. Reminder: IBOs are independent businesspersons, and therefore are responsible for keeping all records of payments and purchases.
Tax Tips

• Should demonstrate a commitment to provide you with a complete, professional tax service. This includes preparing your tax return, tax planning and representation at meetings with the IRS.

• Should fully explain, and you should clearly understand, fees and costs before you agree to use the services. For example, you should know in advance what the basic fee is to prepare your tax return and whether that charge includes representation if you are audited by the IRS. If fees are based on an hourly rate, you should know what the rate is.
**Basic Guidelines**

The Corporation has agreements with all states (except Alaska) and various counties and cities that impose a sales tax to collect these taxes on behalf of its IBOs. Under the terms of these agreements, we collect the applicable sales tax based on (1) the suggested retail price of the taxable products and (2) the sales tax rate for the ZIP code of the first ship-to address.

It is not necessary to obtain a sales tax license for your business. All IBOs are operating their business under the sales tax license that the Corporation has obtained, per our agreement with the states, counties and cities. If at any time you need verification of that license number, please e-mail us at salestax@quixtar.com.

**Exceptions:**

1. **Client or Member Credit Card Orders**
   When an order is charged to a Client’s or Member’s credit card, sales tax will be charged on the actual selling price. The IBO must state when placing the order that the sale is to a Client or Member and the order is being charged to that person’s credit card and what the selling price is.

2. **Export**
   When an order is for shipment outside the United States, no sales tax will be charged if the IBO states that the order is for export, the ship-to address is a licensed freight forwarder, and the IBO requests that no tax be charged. If the order is mailed in, write on it that the ship-to address is a freight forwarder and that it is exempt from tax.

3. **Government or Its Agencies**
   This includes federal, state, county and city government agencies, such as public libraries, fire departments, etc. If the order is charged directly to the government’s credit card or the ship-to address is that of a governmental agency, no sales tax will be charged. State, county and city government agencies are not exempt from sales tax in Arkansas, Arizona, California, Hawaii, North Carolina and South Carolina. Only the federal government and its agencies are exempt from sales tax in those states. IBOs must indicate that the order is exempt when it is placed. A copy of the Client’s exemption certificate must be mailed or faxed to the Corporate Tax Department. Please note on the certificate your name and IBO number. (See address on page E-12.)

4. **Churches**
   When an order is for a church and the products are shipped directly to the church, no sales tax will be charged. Churches are not exempt in the states of Alabama, Arizona, Arkansas, California, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, North Carolina, South Carolina, South Dakota, Utah and Washington. IBOs must indicate that the order is exempt when it is placed. A copy of the Client’s exemption certificate must be mailed or faxed to the Corporate Tax Department. Please note on the certificate your name and IBO number. (See address on page E-12.)

5. **Public Schools**
   When an order is for a public school (elementary, junior high, high school, college or university) and the order is charged directly to the school’s credit card or the ship-to address is that of the school, no sales tax will be charged. Public schools are not exempt in the states of Arizona, Arkansas, California, North Carolina and South Carolina. IBOs must indicate that the order is exempt when it is placed. A copy of the Client’s exemption certificate must also be mailed or faxed to the Corporate Tax Department. Please note on the certificate your name and IBO number. (See address on page E-12.)

6. **Private Schools**
   When an order is for a private school (elementary, junior high, high school, college or university) which is nonprofit and has qualified as a 501(c)(3) entity under the federal income tax law and the order is charged...
Sales Taxes

directly to the school’s credit card or the ship-to address is that of the school, no sales tax will be charged. Private schools are not exempt in the states of Arizona, Arkansas, California, Louisiana, North Carolina, South Carolina, Utah and Washington. IBOs must indicate that the order is exempt when it is placed. A copy of the Client’s exemption certificate must be mailed or faxed to the Corporate Tax Department. Please note on the certificate your name and IBO number. (See address below.)

Mail or fax the Client’s exemption certificate, which must include your name and IBO number, to:

Quixtar, Inc.
Sales Tax Department FB-1H
P.O. Box 430
Grand Rapids, MI 49501-0430
Fax: 616-787-7249

As an IBO, you agree to be bound by these agreements and all related rules and procedures established, from time to time, by the Corporation.

An IBO, you are responsible for the proper application of sales tax on all your sales. If you follow the procedures set forth below, the proper sales tax will be paid. If you do not collect the identical sales tax (same jurisdiction and amount) as was originally paid with your order, you are to submit the Sales Tax Adjustment Form (0-2042) to the Corporate Sales Tax Department.

Basic Rule for Retail Sales

The basic rule to follow in determining the correct sales tax to be charged on retail sales is: Collect the sales tax based on your selling price of taxable products, using the applicable sales tax rate for the taxing jurisdiction in which the Client or Member takes possession of the products.

Basic Rule for Sales to Another IBO

The basic rule to follow in determining the correct sales tax to be charged on sales to another IBO is: Collect the sales tax on the suggested retail price of taxable products, using the applicable sales tax rate for the taxing jurisdiction in which the IBO takes possession of the products.

Special Circumstances

There are six circumstances under which you will not collect the identical sales tax you paid and, therefore, must submit an Adjustment Form (0-2042).

1. Sales Made into Another State

When shipping or delivering products to another state, you must collect the applicable sales tax for the state of destination. Because tax rates and taxability of products vary by state, the Corporate Sales Tax Department will supply you (upon request) with a listing of tax rates and exempt products for all states.

The total amount of sales tax collected should be sent in the form of a check made payable to the Corporation along with an Adjustment Form (complete section 1), requesting a refund of the tax you originally paid. Please indicate on the check the amounts and state(s) for which the tax was collected. Your check will not be deposited until fourteen days after your refund is mailed. This procedure assures that each state receives its proper amount of sales tax without putting you in a cash flow bind.

If you are making sales to a Client, Member or IBO who resides in another state but is picking up the products at your location, you must collect the sales tax that applies at your location.

Note: Always remember that the tax charged by the Corporation will reflect the tax that applies to the ZIP code of the first ship-to address. If you request the Corporation to “drop-ship” an order to an address other than your own, you must include the applicable sales tax for the drop-ship address.

2. Sales in the Same State, but at a Different Rate of Sales Tax

Many states have local taxes in addition to the state’s sales tax. When shipping or deliver-
indicating that the exemption certificate is on file at the Corporation.

Caution: The fact that a person or business has a sales tax license does not allow them to purchase products exempt from sales tax unless the products are intended for resale. In order to document the intent to resell, you must obtain a blanket exemption certificate which has been signed by the Client and includes his tax license number.

4. Retail Sales Not at Suggested Retail Price

When making sales at a price different from suggested retail, you can charge only the sales tax applicable to your selling price of the taxable products.

- **On sales made at a price lower than suggested retail:** Obtain a refund of the excess sales taxes paid by submitting the Adjustment Form with section 4 completed. The refund is the difference between the sales tax which was paid on the suggested retail price and the sales tax on the IBO’s selling price.

- **On sales made at a price higher than the suggested retail price:** Enclose a check payable to the Corporation for the additional sales tax due. The additional sales tax due is the difference between the sales tax on your selling price and the sales tax paid on the suggested retail price.

Note: Local tax rate is the total rate minus state rate.

3. Sales to Tax-Exempt Customers

You must always include the applicable sales tax based on the suggested retail price (your selling price on credit card orders) of taxable products with your orders. If you sell to a tax-exempt customer, follow the guidelines below to obtain a refund.

When making a tax-exempt sale, you must obtain a properly completed exemption certificate from your Client. If your Client does not have a certificate available, blanket exemption certificates are available from the Sales Tax Department upon request. This certificate must be submitted with your Adjustment Form (complete section 3). On repeated sales to the same Client, please indicate on the Adjustment Form the name of the Client and check the box indicating that the exemption certificate is on file at the Corporation.

4. Retail Sales Not at Suggested Retail Price

When making sales at a price different from suggested retail, you can charge only the sales tax applicable to your selling price of the taxable products.

- **On sales made at a price lower than suggested retail:** Obtain a refund of the excess sales taxes paid by submitting the Adjustment Form with section 4 completed. The refund is the difference between the sales tax which was paid on the suggested retail price and the sales tax on the IBO’s selling price.

- **On sales made at a price higher than the suggested retail price:** Enclose a check payable to the Corporation for the additional sales tax due. The additional sales tax due is the difference between the sales tax on your selling price and the sales tax paid on the suggested retail price.

5. Products for Personal Use or Demonstration

When you purchase products, you will pay sales tax based on the suggested retail price (with the exception of catalog credit card orders). If you use the products personally or for demonstrations, the basis for computing sales tax becomes “IBO cost.” You may obtain a refund of the difference between the sales tax paid on the suggested retail price and the sales tax on the IBO cost by filing the Adjustment Form with section 4 completed.
Sales Taxes

6. Change in Sales Tax Rates

You pay sales tax based on the suggested retail price of taxable products and the sales tax rate in effect at the time of billing. However, when you make a sale to a Client, Member or IBO, you must charge the rate of sales tax in effect at the time of the sale.

If the rate of sales tax is different from that which you were charged, you must submit an Adjustment Form with section 2 completed.

- If the rate is higher: Send a check payable to the Corporation for the additional sales tax collected along with the Adjustment Form.
- If the rate is lower: File the Adjustment Form with section 2 completed, requesting a refund of the difference between the sales tax paid and the amount collected.

When requesting an adjustment of tax on your entire inventory, please include an itemized list of the inventory at the time of the rate change including quantities, product numbers, descriptions and suggested retail price.

Summary

Every Sales Tax Adjustment Form must contain sufficient information to clearly identify the reason for the refund request. The form must also be signed by the IBO claiming the refund and include your telephone number and area code and the period covered by the claim.

IBOs may file Adjustment Forms monthly, quarterly or annually. The Corporation suggests that you determine how often you file by the amount of sales tax due or refundable. However, you must file at least annually.

Please use actual numbers. Do not round off or estimate your amounts.

Please direct any questions or requests for sales tax literature and Adjustment Forms to: salestax@quixtar.com.

Other State Taxes

For your information, the following states have specific taxes.

Hawaii
- General Excise Tax on bonuses, collected by the Corporation.

Virginia
- Annual Litter Tax (IBO must register with the state and pay the state).

Washington
- City Business & Occupation Tax, not collected by the Corporation (IBO must register with the city and pay the city).
- State Retail Business & Occupation Tax, collected by the Corporation.
- State Wholesale Business & Occupation Tax, collected by the Corporation.
- State Business and Occupation Tax on bonuses, collected by the Corporation.

Additional Taxes

Additional taxes in some states include: Soft Drink Tax, Litter Tax, Tire Tax, Oil Tax and Hard to Dispose Material Wholesale Tax. Some of these taxes are collected by the Corporation at the time of the sale of the products to the IBO and remitted to the applicable states. Contact the Sales Tax Department for additional information.

Municipal Business Licenses

Many local governments require persons to register and sometimes pay an annual fee for the privilege of doing business in the municipality. If you are contacted by a government official about a business license, ask for a copy of the ordinance. If it is not clear, send it to the corporate Legal Division, which will help you determine whether the law applies to you.

If you follow the IBO Plan in developing your business, many ordinances will not apply. In some municipalities, however, IBOs are required to obtain licenses and pay a nominal fee. In these instances, of course, the Corporation recommends compliance with the law.
Various personal insurance policies are available exclusively to IBOs, offered by Universal Insurance Services, Inc. and endorsed by the Independent Business Owners Association International Board.

For your business, the Independent Business Owners Benefits Association (IBOBA) has a commercial general liability and property insurance program. This program is administered by Marsh, Inc.

Here is an overview of all the plans.

**For You and Your Family**

**Universal Benefits**

The following eight plans are offered and administered by Universal Insurance Services, Inc., a Grand Rapids, Mich.-based full-service agency. This set of plans is endorsed by the IBO Association International Board and available to all pin levels. For information and free brochures about the first six plans, call 1-800-254-2327, use the Faxline at 1-800-691-7171, or write:

Universal Insurance Services
P.O. Box 338
Grand Rapids, MI 49501-0338

You can also visit their Web site at: www.udb.com.

For complete details, please request a brochure outlining coverages, limitations and/or exclusions.

**Group Term Life**¹

Underwritten by Anthem Health & Life Insurance Co. (AH&L).

- Up to $1 million coverage for IBO or spouse.
- $5,000 or $10,000 children’s rider available.
- Living benefit option, in which benefits are paid prior to death in confirmed terminal-illness cases.
- Lower rates available for non-users of tobacco.
- Coverage available upon proof of insurability.

**Comprehensive Major Medical**²

Underwritten by AH&L.

- $2 million lifetime maximum benefit per cause.
- Choose your own doctor.
- Low-deductible prescription-drug mail service.
- Hospital room and board allowance (highest semiprivate room rate).
- Intensive care (reasonable and customary charges).
- Five deductible and co-insurance plans.
- Optional maternity benefit (paid as any other illness).
- Optional drug card.
- Lower rates available for non-users of tobacco.

**Travel Accident**

Underwritten by AH&L.

- $25 annual premium.
- $100,000 death benefit for IBO or a $50,000 benefit for IBO and spouse.
- 24-hour protection against accidents occurring while driving or riding as a passenger in a private automobile or while riding as a passenger on any type of public conveyance.
- $100-a-day benefit for in-hospital confinement as the result of a covered accident.
- No medical underwriting required.

**Accidental Death & Dismemberment**

Underwritten by AH&L.

- Up to $300,000 of coverage for you and your family.
- Includes loss of speech and hearing.
- 24-hour coverage – on the job, on business, on vacation or at home.
- No medical underwriting required.

**Disability Income Protection**

Underwritten by AH&L.

- Up to $2,000 a month tax free while you are disabled.
- Apply for 60% of monthly earnings from all sources of income.
- Lower rates available for non-users of tobacco.
- Available to IBO and spouse.
- 2-year benefit period.
- Coverage available upon proof of insurability.

¹Group Term Life is not available in South Dakota and Vermont.
²Certain benefits and limitations may vary due to state law.

Rev. January 2000
Insurance

Dental
Underwritten by AH&L.
• Preventive care (oral examinations, x-rays and cleanings) once every six months.
• Includes coverage for basic and major services.
• $50 annual deductible with a maximum of three deductibles per family per year.
• Coverage for IBO, spouse and children.
• Choose any dentist.

Auto and Homeowners
Underwritten by Foremost® Insurance Group of companies. For information and free brochures about these two programs, call Foremost at 1-800-339-3114, ext. 3107.

Auto
• Special discount for active IBOs (most states).
• Other discounts for safe drivers, multi-vehicle policies, multiple policies with Foremost Companies and more.
• Quality protection for cars, minivans, vans and trucks.
• Optional Business Property Coverage (most states) to cover “business inventory” if stolen or damaged.

Homeowners
• Special discount for active IBOs (most states).
• Other discounts for newer homes, smoke detectors, fire extinguishers, dead bolt locks and more.
• Quality protection for your regular or vacation home, condominium and rental (tenant) insurance needs.

The auto and homeowners insurance programs are available in many states. Call for availability in your state. Coverages and discounts may vary by state.

These programs feature 24-hour claim reporting service, toll-free customer service and the financial stability of companies rated A+ (Superior) by A.M. Best, a leading independent rater of insurance companies.

Dental
Underwritten by AH&L.
• Preventive care (oral examinations, x-rays and cleanings) once every six months.
• Includes coverage for basic and major services.
• $50 annual deductible with a maximum of three deductibles per family per year.
• Coverage for IBO, spouse and children.
• Choose any dentist.

Auto and Homeowners
Underwritten by Foremost® Insurance Group of companies. For information and free brochures about these two programs, call Foremost at 1-800-339-3114, ext. 3107.

Auto
• Special discount for active IBOs (most states).
• Other discounts for safe drivers, multi-vehicle policies, multiple policies with Foremost Companies and more.
• Quality protection for cars, minivans, vans and trucks.
• Optional Business Property Coverage (most states) to cover “business inventory” if stolen or damaged.

Homeowners
• Special discount for active IBOs (most states).
• Other discounts for newer homes, smoke detectors, fire extinguishers, dead bolt locks and more.
• Quality protection for your regular or vacation home, condominium and rental (tenant) insurance needs.

The auto and homeowners insurance programs are available in many states. Call for availability in your state. Coverages and discounts may vary by state.

These programs feature 24-hour claim reporting service, toll-free customer service and the financial stability of companies rated A+ (Superior) by A.M. Best, a leading independent rater of insurance companies.

Foremost Insurance Group of companies consists of Foremost Insurance Company, Foremost Signature Insurance Company, Foremost Property & Casualty Insurance Company, American Federation Insurance Company and Foremost County Mutual Insurance Company, which conducts business in Texas only under a management agreement.

For Your Business
Commercial Insurance Program
The current climate to which any business person is exposed is extremely complex. It may even prove financially fatal to those businesses that operate without commercial insurance coverage. The Independent Business Owners Benefits Association may help reduce this problem for IBOs. An IB may elect the insurance offered through the IBOBA by paying a minimal yearly fee.

As an IBO, you should keep in mind that most homeowners’ policies specifically exclude claims arising out of the operation or maintenance of your business. Therefore, the IBOBA program was designed to afford protection for claims arising out of your IB. Many IBOs have found value in participating in this program. There are several key points that will benefit you:

• Toll-free number (1-800-548-9175) to call for questions, certificate requests and claims reporting.
• Protects your inventory against risks of direct physical loss or damage due to earthquake (Note: earthquake coverage not available in Alaska, California and Puerto Rico), flood, fire, lightning, windstorm, hail, explosion, strike, riot or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft and other perils not specifically excluded in the policy.
• Insured items include business-related real property, business-related personal property and property in due course of transit.

† Trademark: Foremost (Foremost Corporation of America, Grand Rapids, Mich.).
Insurance

• Contingent Business Interruption Coverage reimburses for loss of profits from the interruption of your business as the result of a covered, direct damage loss to corporate facilities. Certificates of insurance are issued to be in compliance with the requirements of facilities that IBOs may lease/rent for use in the operation of their IB.

All authorized IBOs are eligible for this insurance, provided they are under the U.S. Independent Business Ownership Plan. (At this time, group property insurance programs are prohibited in Texas and, therefore, property coverage does not apply in Texas.)

Commercial Liability Insurance

In most instances, the Commercial Liability policy will protect you against claims because of covered occurrences during the conduct of your business as an authorized IBO. The coverage includes defense costs that result from the lawsuit, even if the allegations in the suit are “groundless, false, or fraudulent.” The claims must generally allege that you caused “bodily injury” (injury to someone’s person) or “property damage” (damage to their property) for the policy to defend you or pay the loss.

Additional coverages, such as Contractual Liability, Personal Injury and Advertising Liability are included.

1. Filing an actual or suspected claim.
It is very important to notify the insurance company if “bodily injury” or “property damage” which may result in a loss occurs. To do this, you immediately should contact Marsh, Inc. by phone or in writing.

Be prepared to give all the specifics (who, what, when, where, why and how) when you call. You also will be asked to furnish your IBO number. A local adjuster in your area may contact you for additional details. Please cooperate as fully as possible.

2. Certificates of Insurance. If you are required to furnish evidence that this coverage exists or to be named as an “Additional Insured” for a particular event or meeting, Marsh, Inc. can furnish you with a Certificate of Insurance that should satisfy such requests. (Note: The Certificate of Insurance applies to your independent business only.)

Each of these certificates must be individually prepared, so please allow appropriate time. You may obtain a certificate by written request (via mail or facsimile) or by phone:

Marsh, Inc.
171 Monroe NW, Suite 800
Grand Rapids, MI 49503-2683
Phone number: 616-233-4200
Toll-free phone: 1-800-548-9175
Fax number: 616-233-4399

Allow two weeks delivery time from the date you make your request. If applicable, be certain to specify who is to be named as an additional insured (including the mailing address, ZIP code and “Attention”), as well as the dates of the event for which the certificate is needed.

3. Information and Literature Requests. If you still need more help or have any questions (not related to a loss) write or call Marsh, Inc.
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Rev. January 2000
Built on a tradition of integrity and ethical business standards, the Corporation has always recognized its responsibility to support IBOs. All our time, energy and resources are devoted to you. We are committed to your success.

The Corporation prescribes a Code of Ethics and Rules of Conduct to guide every IBO. As an integral part of the Independent Business Ownership Plan, these Rules help ensure that everyone has the same opportunity to build a successful business through a balance of sponsoring and merchandising. Pride in this system of Rules and ethics is a main reason some IBOs are so committed to their businesses.

This balance and your interests are protected by various safeguards built into the IBO Plan. For example, the “Retail Sales Rule” requires IBOs to make not less than one retail sale to 10 different Members or Clients each month or have at least 50 PV of retail sales to any number of Members or Clients that month in order to earn a bonus. The “70% Rule” requires that 70% of the products an IBO buys during the month must be sold to other IBOs, Members or Clients. Both of these rules ensure that products must actually be sold before an IBO can earn Performance Bonuses. These Rules reinforce the important concept that the merchandising of products is the foundation of the independent business opportunity.

The “Buy-Back Rule” protects against possible inventory-loading. An IBO who wishes to discontinue their business may return any unused, currently marketable products and literature which the IBO may have purchased from the person or entity they purchased them from.

These rules and the Satisfaction Guarantee reflect our commitment to a long-term, healthy business opportunity.

We are dedicated to supporting your efforts with a broad selection of expertly produced promotional, educational and motivational materials. Extensive training for IBOs is available through meetings, workshops, seminars and conventions.

We also conduct a national image program on behalf of IBOs: advertising and sponsorships that reach millions every year, helping to increase acceptance of our products and business opportunity through emphasis on quality, convenience and IBO service.

The Corporation has been a sponsor of National Easter Seals since 1983 and, together with IBOs, have raised millions of dollars to support Easter Seals. Most recently, the Corporation has partnered with Junior Achievement and Newsweek to salute tomorrow’s entrepreneurs.

When the Corporation was founded in 1959, it marketed only one product, L.O.C.® Multi-Purpose Cleaner. L.O.C. established the Corporation’s environmental commitment because only biodegradable cleaning agents were used in its formula. This initial commitment to the environment has become a touchstone in corporate philosophy.

Almost four decades later, this environmental concern continues to be reflected in the Corporation’s products and operations. The United Nations, in fact, recognized the Corporation in 1989 with its Environment Program Achievement Award for promoting environmental education and awareness and for encouraging youth to make the environment a priority. Additionally, the Corporation received the Michigan Recycling Coalition 1992 Recycler of the Year award for its on-site recycling center and for its recycling practices in operations and package development.

The Corporation is focused on the future. We have developed and improved the IBO Plan throughout the years to remain current and vital. With continued expansion of facilities, improved distribution, state-of-the-art technology, increased productivity, and ongoing product innovation, we look forward to continued growth in new markets around the world.
Business Issues

Starting Your Business

You started the same way that every other IBO has started: You were registered by another IBO, and you obtained the Registration Pack. The Pack is an essential part of beginning your business. It contains a wide assortment of business materials about products, customer service, sponsoring and business management. It also contains the IBO Plan brochure which is required reading for all new IBOs.

The product portion of the Pack features a selection of the products that have made the Corporation a leader in the industry. By using the products, you'll see for yourself how effective they are. You'll find it's much easier to merchandise products when you can speak from experience.

You are not required to purchase the product portion of the Registration Pack. To become an IBO, you are only required to obtain the literature portion. You are also not required to:

- purchase or maintain product inventory
- purchase books, tapes, or other motivational materials
- attend meetings, rallies, or other business-building functions

However, you may wish to maintain a minimal supply of products to service your Members, Clients or sponsored IBOs more promptly.

You also may find that reading motivational or educational books, or listening to motivational or informational tapes, or attending motivational or training meetings will assist you in building your business.

With the Corporation, you have the advantages of no quotas, territories, or large initial expenditures. You put as much time and energy into your business as you want. Whether you do it part time or full time, your independent business is truly yours.

When you read corporate literature or view corporate videos, you’ll learn of the success that’s possible with this business. There is money to be made, but any endeavor – this one included – requires desire, effort and commitment.

Your sponsor, those in your organization and we at the Corporation are here to support you and help you to succeed, yet the final responsibility rests with you. You’re the one who will determine your future and success.

Satisfaction Guarantee for BSMs and Events

Business Support Materials (“BSMs” or “Materials”) are registering, training and merchandising aids such as audio and video cassettes, literature and flip charts. BSMs which are produced by the Corporation (see Rules 7.6 and 7.8.2 for IBO-produced BSMs) may be returned to the Corporation or to the IBO from whom you purchased the materials for replacement, credit or refund within 180 days of sale and with proof of purchase of the materials.

If you purchased an event ticket for a seminar, rally and/or meeting from the Corporation and you were not satisfied with the event, please return the ticket or proof of purchase within 30 days after the event for a refund. The refund does not apply to any other costs, such as travel, meals or lodging.

General Business Regulations

Business Regulation 1:
Minimum Age Limits

The following minimum age limits have been established for IBOs:

IBO: 16 years old.
Sponsor: 18 years old.
Platinum: The age of majority in the state in which he or she resides.

Business Regulation 2:
IBOs Are Not Employees

You should not, at any time, represent that you are an employee of the Corporation.

IBOs are just that – independent business owners who purchase products from the Corporation or from their sponsors. IBOs in turn resell these products to their Members and Clients. They are, therefore, in business for themselves.

If you are called upon to complete forms to secure loans or assistance from any government agencies, you must not list the Corpora-
that the Corporation or its products or services are endorsed by the Better Business Bureau.

Asking a prospective IBO, Member, or Client to call the Better Business Bureau as a reference is an implied endorsement of the Corporation, and therefore, you should not ask them to call the Better Business Bureau as a reference. If prospects wish to call the Better Business Bureau for facts on their own, they are, of course, free to do so, but in no event should they be asked to do so by an IBO.

IBOs who are members of a local Better Business Bureau may display membership plaques, certificates or decals in their offices that are issued by the Better Business Bureau for this purpose. They may also notify their downline IBOs, through a bulletin or letter that goes only to IBOs, of the fact that they are a member of a Better Business Bureau.

The Council of Better Business Bureaus, Inc., of which the Corporation is a member, has provided a fact sheet about the Corporation to more than 150 local Better Business Bureaus. Thus, local Better Business Bureaus that are members of the Council of Better Business Bureaus, Inc. are prepared to answer questions from the membership or the general public about the Corporation. Local Better Business Bureaus that are not members of the Council of Better Business Bureaus, Inc. can secure such data from the West Michigan Better Business Bureau, which maintains current information on the Corporation.

**Business Regulation 5:**

**How to Delete Names from Corporate Official Listings**

A request to delete an IBO name from the Corporation’s official listing must be submitted in writing to Document Processing. Deletion from the official listing means the subject of the request will no longer be a Quixtar-affiliated IBO and relinquishes all IBO rights and responsibilities, including the right to earn bonuses, sponsor IBOs, or service Members and Clients. Requests must include the following documents:
Business Regulation 6: Partnerships Are Discouraged

We strongly discourage partnerships as a way to conduct a Quixtar-affiliated independent business. There are inherent shortcomings in the partnership form as a way of doing business that often result in serious personal legal consequences to the individual partners.

The following examples show some of the disadvantages of partnership:

1. Each partner may be held personally liable for the debts and obligations of the partnership. Just because there are two partners does not mean they are each liable for one-half of the debts of the business. The creditor has the right to look to either or both partners for payment.

2. One partner can bind both partners even though the second partner had no knowledge of the obligation at the time it was incurred and later refused to consent to it. The innocent partner cannot claim as a defense that he did not know about the debt or consent to it. In fact, he cannot even claim the obligation was not a proper one. He can only pay the debt and then look to the other partner for proper adjustment.

3. A financial problem involving one partner, even though it relates to an obligation owed by him outside the business, can endanger the partnership, as a creditor may attach the interest of the defaulting partner in the partnership to satisfy the obligation of that partner. The result of a creditor taking such action could mean dissolution or bankruptcy of the partnership. Hence, the partner who keeps his own financial affairs in good order can sustain considerable financial loss if his partner does not.

4. Each partner has an equal voice in conducting the business of the partnership regardless of the percentage of ownership held by each. Thus, a 10% partner has as much to say about partnership affairs as a 90% partner.

5. A partner who desires to withdraw from the partnership may encounter considerable difficulty in disposing of his interest. Unless his partner is willing and able to buy him out, he must locate a new prospective partner who is acceptable to the remaining partner. This is usually difficult to do. Thus, the withdrawing partner is often faced with the choice of staying in business with his partner or selling out at a sacrificial low price.

6. If a disagreement develops between the partners that cannot be resolved amicably, either partner has the right to demand the liquidation and dissolution of the business, thus leaving both partners without any business.

7. The death of one of the partners leaves the surviving partner with the problem of dealing with the heirs of the deceased partner.

• Written consent from the person(s) being removed. Assignment of Independent Business Forms are available from the Legal Division. This may take the form of a brief letter or note signed by the person(s) involved. The name of a minor(s) may not be removed except by a court order.

• In case of death, a certified copy of the death certificate of the person whose name is to be removed.

• In the event of divorce, a certified copy of a divorce decree, attested as a true copy by the court clerk, together with details as to how the independent business listing is to be revised, is to be sent to:

  Quixtar, Inc.
  Business Conduct and Rules
  P.O. Box 430
  Grand Rapids, MI 49501-0430

  If the divorce decree fails to mention the independent business, then both parties must sign a document indicating what disposition is to be made of the business.

  Because of the legal considerations in relinquishing the rights and responsibilities of an independent business ownership, no changes can be made in independent business names until the above documents have been received and approved by the Corporation.

Business Issues

2. One partner can bind both partners even though the second partner had no knowledge of the obligation at the time it was incurred and later refused to consent to it. The innocent partner cannot claim as a defense that he did not know about the debt or consent to it. In fact, he cannot even claim the obligation was not a proper one. He can only pay the debt and then look to the other partner for proper adjustment.

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7. The death of one of the partners leaves the surviving partner with the problem of dealing with the heirs of the deceased partner.

Because of the legal considerations in relinquishing the rights and responsibilities of an independent business ownership, no changes can be made in independent business names until the above documents have been received and approved by the Corporation.
Conversely, the heirs of the deceased partner often have difficulty in attempting to secure the deceased partner’s share of the business from the surviving partner. Unless there is a compelling reason that outweighs the disadvantages of doing business as a partnership, the Corporation recommends that two IBOs operate separate businesses, with one sponsoring the other.

The IBOs, if they wish, may operate their separate businesses as a single business so far as they themselves are concerned, while maintaining two separate businesses on the Corporation’s books. They can, as between themselves, combine and divide on any basis they desire all bonuses received from their sponsor or the Corporation.

If, in spite of what has been said above, two (or more) IBOs are determined to form a partnership, then it is essential they confer with their attorneys and reduce their partnership agreement to written form so that later questions can be properly resolved. The IBOs’ legal advisor, in addition, can advise the IBOs on state requirements for registering partnerships.

**Business Regulation 7:**
**Military Bases and IBOs**

Quixtar-affiliated IBOs in the military must comply with military regulations and should consider the following in establishing and operating their businesses.

To avoid problems, we recommend that military personnel request and obtain permission from their base commander before starting an independent business. IBOs may be required to satisfy the base commander that (1) sales of products won’t compete with or materially affect sales by the Post Exchange and (2) registration activities won’t violate the regulation against engaging in commercial solicitation with military personnel of junior rank.

If an IBO is transferred to a military base in a foreign country, the same considerations apply to the operation of an independent business there, provided that business activities are confined to the base itself.

**Business Regulation 8:**
**Municipal Business Licenses**

Many local governments require persons to register and sometimes pay an annual fee for the privilege of doing business in the municipality. If you are contacted by a governmental official about a business license, ask for a copy of the ordinance. If it is not clear, send it to the Corporation’s Legal Division, which will help you determine whether or not the law applies to you. If you follow the Independent Business Ownership Plan in developing your business, many ordinances will not apply. In some municipalities, however, Quixtar-affiliated IBOs are required to obtain licenses and pay a nominal fee. In these instances, of course, we recommend compliance with the law.

**Business Regulation 9:**
**Pyramid and Direct Selling Regulations**

The IBO Plan is not a pyramid or chain distribution scheme. A pyramid is a scheme in which an individual pays for the right to recruit additional persons into the scheme who, in turn, receive the same right to receive profits from recruiting others.

Three common elements of a pyramid scheme have been identified as: (1) a large, required initial investment or purchase of inventory; (2) direct payment for recruiting additional persons into the scheme; and (3) heavy emphasis on recruiting additional persons, with little or no emphasis on selling products to consumers.

The Independent Business Ownership Plan contains none of the above described elements. Quixtar-affiliated IBOs earn money by selling products to their Members and Clients directly and through other IBOs in their sales organization, not from the introduction of additional persons into the business. IBOs who improperly require large initial investments in business kits or inventory and do not properly emphasize retail sales of the Corporation’s products may invite scrutiny under various state pyramid laws and be subject to disciplinary action.
Business Issues

In summary, IBOs must present the IBO Plan in accordance with corporate literature and sales aids, properly emphasize retail selling, and only require purchase of the literature portion of the corporate Registration Pack to enter the business. It is important to realize that simple and innocent changes made by well-meaning IBOs could violate these laws. We insist on compliance with the IBO Plan, and Rules of Conduct for IBOs, and all other requirements outlined in this manual.

Business Regulation 10:
Zoning Ordinances

In general, IBOs who conduct their businesses out of their homes will not violate local zoning ordinances. However, a few local governments prohibit all home occupations, but this is the exception rather than the rule. It is your responsibility to comply with all zoning and other municipal ordinances.

Business Regulation 11:
Shipment of Hazardous Materials

Domestic and international shipment of hazardous material is a serious subject and it is the responsibility of the person tendering the shipment to a carrier to certify that all of the regulatory requirements have been met. Substantial monetary fines can be levied against an individual or corporation for failing to comply.

Products such as aerosols, perfumes, colognes, nail colors and some cleaning products are considered hazardous when being transported. If you are reshipping products, you must check with the carrier you are using, such as United Parcel Service or Federal Express, and supply them with a description of the product(s) you are shipping. They should be able to assist you with determining correct quantities, packaging, handling labels and markings, and shipping descriptions. They will also assist you in completing the proper paperwork for the shipment. The Corporation can provide you with Material Safety Data Sheets (MSDS) on any product that requires one. You can obtain these by calling 1-800-992-6929 and asking for extension #32. Please have the product stock number ready before making your call.

Remember! It is your responsibility to insure that all shipments are correctly prepared for shipment.

This Business Is Not a Tax Shelter

The Independent Business Ownership Plan is not a tax shelter and may not be presented as one. A Quixtar-affiliated independent business is a profit-making venture. Like the profits from any business enterprise, the profits of a Quixtar business will be taxed. However, as with other businesses, legitimate business expenses may be deducted.

Following are examples of inaccurate tax advantage claims which are not allowed:

Claim: “Virtually write off a large percentage of your personal expenses.”
Fact: Neither a Quixtar-affiliated IBO nor anyone else can write off personal expenses. Only legitimate business expenses may be deducted.

Claim: “Add $10,000 to your income this year and not pay any taxes on it.”
Fact: At its most basic level, taxable income equals gross income minus deductible business expenses. You are required to pay income taxes on this amount. It would be unusual for an IBO with $10,000 in gross income to have $10,000 in legitimate business deductions.

Claim: “All products used in your home the first year are deductible.”
Fact: The cost of products used in demonstrations is deductible. The cost of products given away as samples to bona fide Members or Clients or bona fide prospective Members or Clients is deductible. The cost of products used personally is not deductible.

Claim: “Write off entertainment and travel, including vacation trips abroad.”
Fact: Travel expenses are deductible only if the primary purpose of the trip is business and other significant substantiation requirements and limitations are fulfilled.
The Corporation Does Not Discriminate on the Basis of Race, Religion, Gender or Creed

Respect for the individual is critical to a successful independent business. From the beginning, the Corporation has prided itself on being an equal opportunity business. It’s an opportunity open to people from all walks of life – people with varying religious convictions, political affiliations, nationalities, ethnic backgrounds and racial origins. Quixtar-affiliated IBOs come together as business associates, agreeing on the principles of free enterprise. They work together to achieve financial independence by following the IBO Plan and abiding by the Rules of Conduct. On all other issues not specifically affecting the operation of their businesses, IBOs have the right to hold differing viewpoints, without their differences jeopardizing their status as Quixtar-affiliated IBOs or their business relationships.

Retirement and the IBO Plan

The Corporation offers an excellent opportunity to build a career for yourself, to gain independence and security, and to earn the richest rewards in life for you and your family. But it certainly does not offer guaranteed retirement in the sense of an annuity or an endowment program. Many IBOs use testimonials about other successful IBOs who have supposedly “retired,” when in truth these IBOs have merely left their traditional employment situation to spend all their time on their independent businesses. When an IBO’s registration presentation is devoted to the availability of retirement income with little or no discussion of the other aspects of the IBO Plan, he or she is seriously misrepresenting the IBO Plan.

The IBO Plan should not be used to imply that it is easy to build an organization and then retire. True, independent business ownership provides you the opportunity to prepare for retirement, but there are no guarantees. Additional income at retirement can be earned through the Leadership Bonus, but this bonus depends on other IBOs to generate personal BV before their sponsor realizes any income.

Remember, too, that all corporate bonuses are paid only to IBOs. If you contemplate retirement, you must maintain Platinum qualification to receive the Leadership Bonus on your sponsored Platinum IBOs and above.

So when you present the IBO Plan, be sure to emphasize all its aspects, including the need for hard work and dedication to achieve success.

As with any business, strong leadership is needed to maintain momentum and direction. IBOs tend to emulate their sponsors. That’s how they become Platinum IBOs and above. But the pendulum can swing both ways. When the sponsor seriously considers retirement and begins to take a less active part in his business, his downline IBOs may follow suit. They, too, may take a less active part in their businesses. The result? The sponsored IBOs generate less personal group BV, and, therefore, the Leadership Bonus could be substantially reduced.

There are times when retirement becomes mandatory. Health can force the issue. Or, once you've built a strong business, you may wish to ease off and not work as hard as you once did. Understandably, you may wish to relax a bit, travel and enjoy the rewards of success. It is certainly possible to do so, as long as your group is strong and you make proper advance preparations.

You may want to lessen your activity gradually by turning over the day-to-day details of the business to someone in your own family or group. Be sure to work out some sort of equitable arrangement regarding compensation. Be sure to maintain your Platinum qualification and don’t hesitate to step in when necessary to provide the motivation to keep your business thriving. Actually, you’ll find it hard to turn your back on the independent business activities you found so challenging, so rewarding, so stimulating when you first began to build your business. Continue your role as leader, but at a more relaxed pace. IBO “retirement” is what you make it!
**Product Issues**

**Price-Comparison Literature**

IBOs occasionally produce their own price-comparison literature for use with customers. Rules 7.2.2 and 9.8 requires that all advertising be submitted to the Corporation for approval prior to distribution.

When properly done, price-comparison advertising can help consumers make more informed choices as they weigh the merits of competing products and services. However, such comparisons are valid only when they are truthful, accurate and fair. The following guidelines will help you avoid misrepresentations that could lead to a variety of state and federal legal challenges.

If you decide to use price comparisons as a part of your sales presentations, be sure the information you provide meets the following tests for accuracy, truthfulness and fairness:

1. **Be Completely Honest and Truthful**
   
   You are responsible for the accuracy of any price-comparison information you prepare and circulate. Be sure of your facts before you make a claim, as you may be required to show that you had substantiation for that claim at the time it was made.

2. **Inform, Do Not Attack**
   
   Do not disparage or try to discredit competitors’ prices, products, services or manufacturing capabilities in your comparison. Talk up your own product’s advantages – don’t “bad-mouth” the competition.

3. **Be Fair – Don’t Try to Compare Apples to Oranges**
   
   Be sure comparisons are relevant and appropriate. Products compared must be truly comparable – that is, essentially similar in all respects. For instance, you would not appreciate a competitor attempting to compare his cheap, sugar-loaded candy bar with nutritious POSITRIM® Food Bars. They’re so dissimilar that any price comparisons would be misleading and irrelevant.

4. **Provide All Necessary Details**
   
   Comparison ads should state the locations where price-comparison checks were made, the prices of competitive merchandise obtained at each location and the dates on which price comparisons were made. The name of each IBO responsible for the information and claims must also appear on the ad or merchandising aid.

5. **Be Current**
   
   Before circulating any price-comparison material, verify that the prices quoted in the material are still in effect. Do not use and circulate price-comparison literature that has become outdated.

**Repackaging Products**

The Corporation’s products are to be sold only in their original packages. Most of the Corporation’s product names, including Artistry, L.O.C. and Satinique, are registered trademarks of the Corporation. They are valuable assets to the Corporation because they embody the goodwill we have built through superior products and service. To maintain federal trademark protection for the exclusive use of these trademarks, the Corporation must follow very specific criteria for their use.

Product labeling is highly regulated by the state and federal governments. These regulations dictate not only the form and content of labels, but also the types of claims that can be made on a particular product. For example, certain claims on the label of a cosmetic product may cause it to be classified as a drug by the Food and Drug Administration.

FDA regulations also dictate strict manufacturing conditions under which products are packaged to ensure the products do not become contaminated. The Corporation devotes considerable resources to market research to develop products and packaging that meet the needs and desires of consumers. If repackaging were permitted, it would cause confusion among consumers and IBOs, possibly decrease the value of our products and dilute the effectiveness of the Corporation’s promotional efforts.
Observing Product-Content Laws

The Corporation manufactures a variety of products with differing formulations to comply with the local requirements and restrictions of certain states and municipalities. You are responsible for complying with these restrictions when applicable.

If you have questions about restrictions in your area, contact your sponsor or Products and Services at 616-787-6279.

Product Liability Protection

Types of Damage Covered

We purchase product liability insurance to protect both you and us from damages which may be caused by defective products. Our product liability insurance coverage does not extend to improper, careless or negligent use of the Corporation’s products.

A product can be defective either in the way it is manufactured or in the way it is designed. An example of a manufacturing defect is if a container labeled furniture polish is accidentally filled with oven cleaner. The purchaser, thinking it is furniture polish, applies it to a fine piece of furniture, causing damage to the finish. An example of a design defect is if a product is designed to be used on fine wood furniture but contains an ingredient that damages certain woods. These are the types of damage our product liability insurance is intended to cover.

Types of Damage Not Covered

Our product liability insurance is not intended to extend to improper, careless or negligent use of products. Two examples: A purchaser uses oven cleaner to polish a fine piece of furniture, or a purchaser leaves an open container of concrete floor cleaner where it could easily be spilled on a piece of furniture.

Our product liability insurance does not extend to damage caused if you recommend a use for a product other than a use for which the product is intended. You could be made personally liable for the damage caused, and therefore, you should never recommend a Member or Client use a product other than for its intended purpose.

You should consult your personal insurance agent to be certain you are adequately insured for your personal business activities.

Procedures for Handling Complaints

1. Ask the Member or Client to explain how the damage occurred. Be sure to obtain the name of the product, when the damage occurred and write down the name, address and phone number of the Member or Client.

2. Do not say that the Corporation will pay for the damage. Simply state that the Corporation will contact them regarding the damage.

3. Ask the Member or Client to keep the product and the damaged article.

4. Call or write us with the information, and we will deal directly with the Member or Client.

Call or write:

Quixtar, Inc.
Product Claims
P.O. Box 430
Grand Rapids, MI 49501-0430
616-787-6896

State Product Regulations

Beautician and Cosmetologist Licenses

As a general rule, IBOs do not demonstrate ARTISTRY® Cosmetic and Skin Care products by applying them directly on the customer’s skin, nor do they charge a fee to the customer for demonstrating such products. For these reasons, you are usually not required to obtain a beautician’s, cosmetologist’s or other similar license in order to demonstrate and sell ARTISTRY Cosmetic and Skin Care products to customers. If you are contacted by state licensing authorities about the need for such a license, or if you would like to find out what your particular state requires, contact the Corporation’s Legal Division.

Security Products Regulations

A number of states have laws that regulate the sale and installation of home security systems
Product Issues

and accessories, as well as regulate the conducting of security surveys of the premises. The QUIXTAR/First Alert Professional Program is designed as a referral program in which IBOs refer interested customers to a licensed First Alert Professional who engages in the actual sales presentation, demonstration, security survey, installation and monitoring. Provided IBOs simply refer interested parties to a licensed First Alert Professional, and do not engage in any of the above named activities, IBOs need not be licensed themselves.

Some cities and counties may have their own local ordinances regulating the sale of home security systems and accessories that should be reviewed before merchandising the First Alert program.

Vermont Pest Control Act

The Vermont Pesticide Control Act requires all IBOs who sell Class C pesticides in that state to first be licensed. The Act applies to any IBO who either distributes Class C pesticides to his personally sponsored IBOs or sells them to his Members or Clients. Only one license per independent business is required. The Corporation’s products are classified as Class C pesticides in the State of Vermont are:

- HOURGUARD® Insect Repellent
- PURSUE® Disinfectant Cleaner
- AMWAY® Quick-Killing Bug Spray
- PURSUE Broad Spectrum Disinfectant/Deodorizer Spray
- PURSUE Foam Cleaner
- PURSUE Liquid Bowl Cleaner

The fee for the Class C Dealer’s License is $10; it must be renewed annually. Applications may be obtained from:

Vermont Department of Agriculture
Plant Industry Division
State Office Building
116 State Street
Montpelier, VT 05602

Iowa Groundwater Protection Act

In Iowa, a portion of the Groundwater Protection Act requires that sellers merchandising products which fall within the definition of “household hazardous materials” (1) obtain a permit to sell these materials and (2) distribute to customers information that tells how to identify and dispose of such materials.

The Corporation has purchased a blanket permit that covers the sale of such corporate products by Quixtar-affiliated IBOs in lieu of registration by each individual IBO. Therefore, you are not required to purchase a permit.

However, you do have a special responsibility if you merchandise products that are termed “household hazardous” by statute. The law requires that you distribute to your customers a booklet printed by the Iowa Department of Natural Resources that contains information about product use and disposal. The law also requires that you distribute an informational list of these products covered by the law. Both booklet and list (or photocopies of each) must be provided to the IBO, Member or Client at the time of the first sale of these products. In subsequent sales to the same party, the booklet and list should be noted as being available if desired.

The state has defined “household hazardous materials” to include: motor oils, motor oil additives, motor oil filters, gasoline additives, diesel fuel additives, degreasers, waxes, polishes (excluding nail polish), solvents (excluding water), paints (excluding latex-based paints), lacquers, thinners (excluding water), caustic household cleaners, spot and stain removers with a petroleum base and petroleum-based fertilizers.

The law specifically excludes laundry detergents and soaps, dishwashing compounds, chlorine bleach, personal care products, cosmetics, animal and human medications, and pharmaceuticals.

The law requires that all IBOs making such sales comply with these informational requirements. To request free copies of the Department...
Spray Adjuvant Licensing Requirements in California

Pesticide regulations in California mandate that any person who sells at retail a pesticide ("pesticides" in California include spray adjuvants) for "agricultural use" must be licensed as a pesticide dealer and must have a designated agent’s license.

To get a designated agent’s license, IBOs must complete and submit to the Department of Pesticide Regulation an application along with a $50 fee. IBOs must pass an examination before the license can be issued. Home-study materials for the exam will be sent to the IBO by the Department. License renewal will be required annually at a cost of $40.

You can obtain an application form by contacting:

State of California
Department of Pesticide Regulation
Licensing and Certification Program
1020 M Street
Sacramento, CA 95814

Water Treatment System Regulations

If you merchandise and sell our Water Treatment Systems you must pay special attention to state laws that regulate the sale of point-of-use water treatment systems.

All states regulate the advertising and sale of consumer products through state consumer protection laws. These laws prohibit the false and misleading advertising and sale of any consumer product. Several states, including California, Hawaii, Iowa, New York and Tennessee, have passed laws specifically regulating the advertising and sale of point-of-use water treatment systems. At least one local jurisdiction – Suffolk County, New York – has enacted a similar law.

California and Tennessee require that when a seller makes a contaminant removal claim, the seller must tell the prospective purchaser that the removed contaminants are not necessarily in his water.

Hawaii requires that you provide your purchaser with a copy of all information relating to water quality and health effects used in the sales presentation.

Iowa and New York require that specific information be provided to the purchaser in conjunction with the sale; this information is available from the Corporation’s Products and Services Department.

Be sure to use only official corporate literature when selling our Water Treatment products and only Corporation-approved advertisements.

Phosphate Sales and Use Bans

Many states, or individual governmental jurisdictions within a state, ban the sale of certain phosphate-containing products. It is your responsibility to comply with those phosphate bans that are applicable to where you conduct business.

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The Rules of Conduct

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The Rules of Conduct

1. Introduction
The Rules of Conduct define and establish (1) certain principles to be followed in the development and maintenance of an Independent Business (“IB”); and (2) the rights, duties and responsibilities of each Independent Business Owner (“IBO”). The Rules are designed to preserve the benefits available to all IBOs under the IBO Plan.

The Corporation and its IBOs have a binding contractual relationship. The terms and conditions of this relationship are set forth in (1) the IBO Registration Form (or equivalent); (2) the Business Compendium; (3) the Intent to Continue Form (SA-469 or equivalent) (Renewal Form); (4) the Order-Authorized IBO Form (SA-150 or equivalent) and (5) any other official Corporation literature or communications.

From time to time, the contents of these documents are changed. The Corporation will, prior to final action, submit to the IBOAI Board for discussion, evaluation and recommendation changes within these documents which may materially affect IBOs including, but not limited to, changes to the IBO Plan, IBO agreements and modifications to the Rules of Conduct for IBOs; provided, however, the Corporation is not required to present matters subject to any governmental order, regulation, or law. However, the Corporation will exercise its best efforts to notify the IBOAI Board of such changes required by governmental order, regulation or law. Final decision-making authority with respect to these matters rests with the Corporation. Upon final notification by the Corporation with respect to those changes presented to the IBOAI Board, such changes will be communicated to all IBOs in a timely manner in official Corporation literature, and shall become effective upon publication. In order to preserve the goals and purposes of the IBO Plan, the Corporation reserves to itself the sole right to adopt, amend, modify, supplement or rescind any or all of these Rules, as necessary with respect to cases of Rules enforcement. In the event the Corporation deprives an IBO of a substantial and material property right through such adoption, amendment, modification, supplementation or rescission, such IBO shall have the right to bring such matter to the attention of the IBOAI Board for further discussion, evaluation and recommendation.

Note: Headings: The headings of the sections, paragraphs and sub-paragraphs are included for purposes of convenience only, and shall not affect the construction or interpretation of any of the provisions contained herein.

2. Definitions
2.1. Corporation as used within these Rules of Conduct shall mean both Amway Corporation and Quixtar, Inc., unless otherwise specified.
2.2. Independent Business (IB) shall refer to an IBO entity operated as either an Amway or Quixtar business, unless otherwise specified.
2.3. Independent Business Owner (IBO) shall refer to the individual(s) operating an IB pursuant to a contractual relationship with either Amway Corporation and/or Quixtar, Inc., unless otherwise specified.
2.4. Prospect shall mean any individual or entity who is not an IBO, including Members and Clients.
2.5. Client is a retail customer.
2.6. Member is a customer entitled to buy products and services at member pricing and to take advantage of any member benefits offered.
2.7. IBOAI Board shall refer to the Independent Business Owners Association International Board of both Amway Corporation and Quixtar, Inc., unless otherwise specified.
2.8. IBOAI shall refer to the Independent Business Owners Association International for both Amway-affiliated IBOs and Quixtar-affiliated IBOs.

3. Becoming an IBO
3.1. Registration Form and Registration Pack: An applicant to become a duly authorized IBO capable of merchandising the Corporation’s products and services and registering other IBOs must file a signed IBO Registration Form for
authorization to sell the Corporation’s products and possess at least the literature portion of the Registration Pack. IBOs shall be formed initially as sole proprietorships, husband and wife partnerships or non-formal partnerships. The IBO Registration Form, must be sent to, and accepted by, the Corporation in order for the applicant to be accepted as an IBO. No IBO shall present the business as anything other than an opportunity available to anyone regardless of race, gender, nationality, or religious or political beliefs.

3.2. Husband and Wife IBOs: If both husband and wife wish to become IBOs, they must be registered together as a single IB. Husbands and wives may not be registered in different lines of sponsorship. Husbands and wives may not register each other. If one spouse is already an IBO, the other spouse, upon electing to become an IBO, must join his or her spouse’s IB.

3.2.1. A husband and wife are deemed to operate their IBs as a single entity regardless of whether both names are on the business. Therefore, each is held accountable for the actions of the other so far as the Rules of Conduct are concerned.

3.2.2. If two IBOs, each of whom owns and operates an IB in different lines of sponsorship (neither of which is at the Platinum or above level), become married to each other, one of these two IBOs must elect to surrender (by sale, transfer or abandonment) his or her IB and join his or her spouse’s IB. If the spouse surrendering an IB does so by way of sale, such sale must be made in accordance with the provisions of Rule 6.6 of these Rules of Conduct. If the spouse surrendering an IB does so by simply abandoning it, the abandoned IB shall pass up the Line of Sponsorship to the next sponsor. If either member of the newly married couple has attained the status of Platinum or above, then the newly married couple may operate both IBs, each of which will, however, be operated in its original Line of Sponsorship.

3.3. Requirements: Without limiting the Corporation’s rights, the following are requirements for becoming an IBO or renewing an IB:

3.3.1. Not be in jail or otherwise confined to any correctional institution.

3.3.2. An IBO must be at least 18 years of age.

3.3.3. A minor child who desires to become an IBO must meet the following requirements:

3.3.3.1. Be at least 16 full years of age.

3.3.3.2. Obtain their parent or guardian’s signature on the IBO Registration Form.

3.3.3.3. Be registered by or added to their parent’s business if the parents of the minor are IBOs.

3.4. Acceptance or Rejection of Registration or Renewal Form: The Corporation reserves the right to accept or reject any IBO Registration Form. Likewise, the Corporation reserves the right to refuse any renewal request and can revoke any IBO’s renewal form if the IBO’s activities have not been in accordance with the IBO Rules of Conduct.

3.5. Date of Authorization: A registration shall be considered accepted by the Corporation when it receives a completed and signed IBO Registration Form and its contents are verified with the Corporation’s IBO records database. IBOs who have been telephone registered or Internet registered are temporarily authorized to conduct business and are subject to the Rules of Conduct, as if they were a fully authorized IBO. However, such authorization will terminate if the Corporation does not receive the IBO’s completed IBO Registration Form within the specified time period.

3.6. Reserved

3.7. Authorization Period: IBO authorization shall expire at the end of each calendar year, with the exception of initial registrations accepted by the Corporation between September 1 and December 31, in which case such initial authorization shall expire at the end of the subsequent calendar year. If an IBO does not renew his or her IB within the time limit established, or if the Corporation does not accept the IBO’s renewal registration, such IB shall automatically expire.
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3.8. Notice of Intent to Continue: In order to remain an IBO, an IBO must annually file a Notice of Intent to Continue Form (SA-469) to operate his or her IB by December 31 of the year preceding the year for which the IBO is renewing. Such notice may be filed by utilizing the Corporation’s touch-tone or on-line renewal system, mailing form SA-469, in which case it must be postmarked by December 31, or any other means deemed appropriate by the Corporation. The Corporation reserves the right to limit the method(s) available for said filing. Failure to timely file an Intent to Continue may result in the loss of an IBO’s downline.

If available, IBOs may sign up for automatic renewal, with the next year’s renewal fees charged automatically to the IBO’s credit card. All automatic renewing IBOs are responsible for ensuring that the Corporation has a valid credit card, with sufficient available credit, on file at the time of renewal.

3.9. Reserved
3.10. Reserved
3.11. Resignation: An IBO may resign his or her IB at any time by appropriately communicating to the Corporation and sending a copy of such communication to his or her Sponsor or first upline IBO who has attained a higher award level, such as Platinum, Ruby, etc. An IBO who resigns must immediately register as a Member or become a Client without complying with the Six-Month Inactivity Rule. However, a Member or Client may not register again as an IBO under a different Sponsor without complying with the Six-Month Inactivity Rule. (See § 6.4)

3.12. Registration by Former IBOs: A former IBO under a different Sponsor as a new IBO only in accordance with Rule 6.4.

3.13. Informal Partnerships: In the case of an informal partnership, the IB shall be only under the names of the individuals who are partners and not under a business name that the partners might use for other transactions.

3.14. Independent Businesses as Corporations: An IBO may own and operate his or her IB as a corporation provided it complies with certain requirements and conditions. IBs shall be initially formed as sole proprietorships, husband and wife partnerships or non-formal partnerships, and then transferred into a corporation in accordance with this Rule.

The Corporation values its personal relationship with its IBOs and would not ordinarily appoint a corporation or a private company as an IBO or approve of a transfer of an IB from one or more individuals to a corporation. However, the Corporation recognizes that certain advantages could accrue to an IBO which incorporates, including: (a) tax benefits and tax savings, (b) perpetual existence, (c) limited liability, (d) estate planning and (e) ease of transfer.

On the other hand, the impersonal character of an incorporated IB could result in unfavorable consequences to the Corporation, unless certain conditions and restrictions are imposed. Accordingly, the Corporation will require such incorporated IBOs to comply with the following:

3.14.1. The IBO must file a Registration for IBO Authorization (Corporate), duly signed by its President or Vice-President and its Secretary or Treasurer, must receive an IBO number and must file annually a Notice of Intent to Continue IBO Form.

3.14.2. The sole business purpose of the incorporated IB must be the operation of the IB allowed under these Rules. The incorporated IB may conduct no other business. This condition precludes IBOs from putting their IB into an existing corporation, which they currently use to conduct another business.

3.14.3. All persons who actually conduct, control or who intend to participate in the operation of the IB must collectively own not less than a majority of the issued and outstanding voting stock of the corporation and must constitute a majority of the board of directors of the corporation.

3.14.4. No change in the number of shares issued, in the owner of shares or in the membership of the board of directors may be made, and no agreement or arrangement affecting control of the corporation by the
individuals operating the IB may be adopted, without application to, and the prior written approval by, the Corporation.

3.14.5. All shareholders and directors shall personally and irrevocably guarantee performance by the corporation of all of its duties, obligations and responsibilities as an IBO, as outlined in the Rules of Conduct, and other official IBO literature.

3.15. Limited Liability Company: An IBO may own and operate his or her IB as a limited liability company (“LLC”), provided it complies with certain requirements and conditions. IBs shall be formed initially as sole proprietors, husband and wife partnerships or non-formal partnerships, and then transferred into an LLC structure in accordance with this Rule.

The Corporation believes that success as an IBO is dependent on an IBO’s personal responsibility for his or her business. The Corporation has gone to great lengths to ensure that this fundamental philosophy is conveyed in all aspects of an IBO’s IB. However, the Corporation recognizes that certain advantages could accrue to an IBO who forms an LLC, including: (a) tax benefits and tax savings, (b) limited liability and (c) estate planning.

On the other hand, the impersonal character of an IB operated as an LLC could result in unfavorable consequences to the Corporation, unless certain conditions and restrictions are imposed. Accordingly, the Corporation will require such IBOs to comply with the following:

3.15.1. The IBO must file an IBO Registration Form (LLC), duly signed by its members, must receive an IBO number and must file annually a Notice of Intent to Continue (LLC).

3.15.2. The sole business purpose of the LLC must be the operation of the IB allowed under these Rules. No other business may be conducted by the LLC. This condition precludes IBOs from putting their IB into an existing LLC, which they currently use to conduct another business.

3.15.3. A majority of the persons who actually conduct or who intend to participate in the operation of the IB must be active members in the LLC. Those persons who are actually the IBOs must handle the management and day-to-day running of the LLC.

3.15.4. All members of the LLC, whether they be individuals, another corporation, partner, LLC, trust or other entity, must comply with the applicable requirements under the Rules of Conduct. All members of the LLC shall be subject to the same disciplinary action for violation of the Rules of Conduct as are individual IBOs.

3.15.5. There may be no more than two members of an LLC, absent a showing to the Corporation of extraordinary circumstances; e.g., estate planning and family issues.

3.15.6. No change in the membership may be made, and no agreement or arrangement affecting control of the LLC by the individuals conducting the operations of the IB may be adopted, without application to, and the prior written approval by, the Corporation.

3.15.7. All members shall personally and irrevocably guarantee due performance by the LLC of all of its duties, obligations and responsibilities as an IBO, as outlined in the Rules of Conduct and other official IBO literature.

3.16. Trust IBOs: An IBO may be transferred to, and become part of the corpus of, either an inter vivos or testamentary trust provided there has been compliance with certain requirements and conditions.

One of the advantages of building an IB is that the owner may pass it on to his or her heirs as part of his or her estate. In order to accomplish that objective, he or she may wish to transfer his or her IB to an inter vivos trust during his or her lifetime or arrange for it to be transferred to a testamentary trust after his or her death. The latter may be particularly desirable where his or her surviving heirs may be minors who are disqualified from operating the IB until they reach the age of at least 16. The trustee may be either an individual or a corporation, and the trustee may also be another IBO at the time the trust is created or takes effect.
The Rules of Conduct

In order to assure that the transfer of an IB to a trust does not result in unfavorable consequences, the Corporation requires compliance with the following:

3.16.1. The creator of the trust must have been a duly qualified and authorized IBO at the time (or, in the case of a deceased IBO, immediately prior to the time) that the IB is transferred to the trust.

3.16.2. Frequently the beneficiary of the trust will be the spouse, child, grandchild, parent or sibling of the IBO whose IB is being transferred to the trust corpus. However, the beneficiary of a trust may be any individual who is eligible to become an authorized IBO, provided however the beneficiary cannot be a business entity, existing corporation, charitable organization, nonprofit organization, foundation or any similar entity.

3.16.3. The trust instrument must not permit the beneficiaries to assign any beneficial interest in the trust.

3.16.4. The trustee (all co-trustees, if more than one) must sign and file a registration form and receive authorization to become an IBO, and must annually file a Notice of Intent to Continue.

3.16.5. An original signed (or certified) copy of the trust instrument must accompany the registration form, and the trustee(s) must promptly file with the Corporation any amendments or any documents which may vary the terms of the trust.

3.16.6. If the trustee is a corporate fiduciary, e.g., a bank trust department or a trust company, the trust officer must execute on its behalf an irrevocable guarantee that the trustee will perform all the obligations and responsibilities of an IBO as outlined in the Rules of Conduct, and other official Corporation literature and communications.

3.16.7. The term of the trust shall not be perpetual and shall not continue beyond the date necessary to protect the interests of those trust beneficiaries who are unable to act for themselves legally, e.g., minor children or incompetent persons, or who, because of age or inexperience, require assistance in the conduct of business affairs.

3.16.8. The sole purpose of the trust must be the operation of the IB. No other business may be conducted by the trust.

3.17. Invitations Limited to Two Persons: Invitations for business seminars, leadership seminars, incentive trips and other events organized by the Corporation will only be extended to two individuals per IB. These individuals shall be the ones listed on the Corporation’s records as the owners of the IB. In the case of a corporation, limited liability company, limited liability partnership or trust, such entity must inform the Corporation as to which two individuals should receive invitations.

3.18. Limited Liability Partnerships: An IBO may own and operate his or her IB as a limited liability partnership (“LLP”) provided it complies with the following conditions:

3.18.1. The IBO must file an IBO Registration Form (LLP), duly signed by all partners, must receive an IBO number and must file annually a Notice of Intent to Continue (LLP).

3.18.2. The sole business of the LLP must be the operation of a corporate IB. No other business may be conducted by the LLP. This precludes IBOs from putting their IB into an existing LLP, which they currently use to conduct another business.

3.18.3. Solely the general partner(s) must handle the management and day-to-day operations of the LLP.

3.18.4. All partners must comply with all applicable requirements under the Rules of Conduct. All partners of the LLP shall be subject to the same disciplinary action for violation of the Rules of Conduct as are individual IBOs.

3.18.5. No change in the membership of the LLP, including the addition or deletion of new partners, or change in partner status, may be made, without application to, and prior written approval by, the Corporation.

3.18.6. All partners, INCLUDING LIMITED
PARTNERS, shall personally and irrevocably guarantee due performance by the LLP of all of its duties, obligations and responsibilities as an IBO as outlined in the Rules of Conduct and other official IBO literature.

4. Responsibilities and Obligations of All IBOs

4.1. Abide by the Business Compendium/Amendments: At all times, IBOs must adhere strictly to the guidelines, systems, procedures and policies stated in the Corporation’s Business Compendium of which these Rules of Conduct are a part, including the Corporation’s IBO Plan, and, in each case, any amendments made from time to time.

4.2. Cross-Group Buying or Selling: “Cross-group buying and selling” occurs when an IBO sells company-distributed or supplied products and/or services to another IBO who is not within his or her Personal Group. No IBO shall engage in cross-group buying or selling.

4.2.1. An IBO in one Line of Sponsorship must only purchase products and literature supplies directly from his or her Sponsor or the Corporation, unless there is a written servicing agreement between two Platinum or above IBOs.

4.2.2. An IBO must not sell the Corporation’s products and services to another IBO who is not in his or her Personal Group, unless there is a written servicing agreement between two Platinum or above IBOs.

4.2.3. An IBO cannot be a Member or Client of his or her own IB or any other IB.

4.3. Retail Stores: No IBO shall permit the Corporation’s products or services to be sold or displayed in retail stores, schools, fairs, PXs, ships or military stores; nor shall he or she permit any of the Corporation’s product to appear in such locations even if the products or services are not for sale. No corporate literature shall be displayed in retail establishments.

4.3.1. An IBO who works in or owns a retail store must operate his or her IB separate and apart from the retail store. Such IBOs must secure Members and Clients in the same manner as IBOs who have no connection with a retail store. Other types of retail establishments, which are not technically stores, such as barber shops, beauty shops or professional offices, etc., likewise may not be used to display the Corporation’s products, information about the Corporation’s services or literature of the Corporation.

4.3.2. Further, IBOs may not use any broadcast communication methods including mass mailings, telemarketing, national or international advertising, radio, television, facsimile services, computer communication networks including the Internet or any other means by which personal contact is not present to secure Members and Clients or to solicit the sale of products. However, IBOs may use digital media or maintain a Web site to order products or to have their Members and Clients order products provided such media or Web site meets the requirements set out in the IBO Prospecting/Product Sales Web Site Bulletin, and otherwise complies with the Rules of Conduct.

4.4. Truthful and Accurate: No IBO shall make any offer to sell any of the Corporation’s product which is not accurate and truthful as to price, grade, quality, performance and availability. IBOs shall not:

4.4.1. make exaggerated product claims or non-guaranteed claims with regards to the Corporation’s products or products distributed by the Corporation,

4.4.2. in any way whatsoever, represent the Corporation incorrectly with regard to prices, quality, standards, grades, contents, style or model, place of origin or availability of the Corporation’s products or products distributed by the Corporation,

4.4.3. state that the Corporation’s products or products distributed by the Corporation are backed, approved or present any features as regards to yield, accessories, uses or benefits that they do not have, or

4.4.4. act or present in any way whatsoever the Corporation, its products or the products
The Rules of Conduct

the Corporation distributes, in a fraudulent manner or promote products that do not belong to the Corporation as if they did.

4.5. Repackaging: IBOs may not repackage products or otherwise change or alter any of the packaging labels of the Corporation’s products.

4.6. Written Sales Receipt: An IBO who takes and/or delivers an order in person shall deliver to the Member or Client at the time of sale a written and dated order or receipt which shall: (a) describe the product(s) sold, (b) state the price charged, (c) give the name, address and telephone number of the selling IBO and (d) include the Corporation’s Satisfaction Guarantee.

4.7. Satisfaction Guarantee: Whenever a Member or Client requests Satisfaction Guarantee service within the stated guarantee period, an IBO shall immediately offer the individual his or her choice of a: (a) full refund; (b) exchange for a like product; or (c) full credit toward the purchase of another product.

4.7.1. IBOs shall advise the Corporation of any complaint regarding the Satisfaction Guarantee from a Member or Client and provide copies of all correspondence and details of all conversations regarding the complaint as requested.

4.7.2. IBOs are not authorized to make any type of offer or compromise or render the Corporation liable for any complaint or product return.

4.7.3. IBOs are responsible for claims they make which exceed the terms of the Satisfaction Guarantee.

4.8. Compliance with Applicable Laws, Regulations and Codes: IBOs shall comply with all laws, regulations and codes that apply to the operation of their IB wherever said business may be conducted, and they must not conduct any activity that could jeopardize the reputation of the IBO and/or the Corporation.

4.9. Deceptive or Unlawful Trade Practices: No IBO shall engage in any deceptive or unlawful trade practice. A deceptive or unlawful trade practice is one which (1) has been defined as such by any federal, state or local law or regulation, (2) has been determined as such by federal, state or local law enforcement officials, or (3) has been reasonably determined as such by the Corporation. In making a reasonable determination, the Corporation shall obtain the opinion of outside legal counsel and the IBOAI Board Hearing Panel Chairperson.

4.10. Unlawful Business Enterprises or Activities: No IBO may operate any illegal or unlawful business enterprise, engage or participate in any illegal or unlawful business activity or be convicted of any illegal or unlawful activity.

4.10.1. An illegal or unlawful enterprise or activity is one which is (1) prohibited by federal, state or local law or regulation, (2) has been determined as such by federal, state or local law enforcement officials, or (3) has been reasonably determined as such by the Corporation. In making a reasonable determination, the Corporation shall obtain the opinion of outside legal counsel and the IBOAI Board Hearing Panel Chairperson.

4.10.2. If an initial or renewal registration for authorization as an IBO is presented to the Corporation by a person the Corporation knows or reasonably believes is operating, or is engaging or participating in, any illegal or unlawful enterprise or activity, the Corporation may hold such registration in abeyance and contact the applicant to determine whether he or she is so engaged and, if so, what his or her intentions are concerning such enterprise or activity. Refusal or failure on the part of the applicant to produce proof that he or she has terminated his or her relationship with such unlawful enterprise or activity shall disqualify him or her for such authorization and his or her registration shall be denied.

4.10.3. If, subsequent to approval of his or her initial or renewal registration, an IBO is determined by the Corporation to be operating, or engaging or participating in, an illegal or unlawful enterprise or activity, and if, upon notification and request by the Corporation,
such IBO refuses or fails to terminate his or her relationship with such illegal or unlawful enterprise or activity, then the Corporation shall terminate such authorization, whereupon the IBO shall lose all the rights and privileges of an IBO.

4.11. **Professionalism:** An IBO shall at all times conduct himself or herself in a courteous and considerate manner and shall not engage in any high-pressure tactics, but shall make a fair presentation of the Corporation’s products, services and/or IBO Plan, when and where appropriate.

4.11.1. An IBO never imposes himself or herself upon prospective IBOs, Members or Clients. At all times he or she is courteous and considerate of the prospective IBOs, Members or Clients and, if the prospective IBOs, Members or Clients indicate a desire to terminate a conversation/presentation, the IBO immediately does so and leaves the premises.

4.11.2. An IBO shall at all times make a fair presentation of the products and services. The IBO will also direct his or her audience’s attention to the use directions and cautions that may be included on the label for the products.

4.12. **IBO Relationship:** No IBO shall represent that he or she has any employment relationship with the Corporation or any of its affiliated companies and/or other IBOs.

4.12.1. IBOs shall not give a false representation as to the nature of the relationship between the Corporation and its IBOs, or make any representation, except in accordance with the explanation given in the Business Compendium or other official literature of the Corporation. An IBO is required to indemnify the Corporation for the cost, damage or prejudice stemming from such false representation, including any legal fees the Corporation may have incurred.

4.12.2. IBOs own their IBs and operate as Independent Contractors as regards to the Corporation. They shall not imply that they are employees of the Corporation, nor shall they refer to themselves as “agents,” “managers,” or “company representatives,” nor shall they use such terminology or descriptive phrases on their stationery or other printed material. (Sponsors are urged to preserve the independent contractor relationship between themselves and their IBOs. If Sponsors permit an employer-employee relationship to develop, sponsors may find themselves liable for the acts of and injuries to their registered IBOs. The Corporation does not permit any relationship between, or representations by, IBOs, which may impose employee liability on the Corporation.)

4.12.3. IBOs may not use their identification card to create the impression that there is an employment relationship with the Corporation.

4.13. **Franchises and Territories:** No IBO shall represent to anyone that there are exclusive franchises or territories available under the IBO Plan.

4.13.1. No IBO shall represent that he or she, or anyone else has the authority to grant, sell, assign or transfer such franchises or to assign or designate territories.

4.13.2. No IBO may state or imply that he or she has a given territory, or that any other IBO is operating outside his or her territory.

4.14. **Other Selling Activities:** No IBO who personally sells products other than the Corporation’s products, who personally sells literature or sales aids not produced by the Corporation, or who sells services (e.g., tax services, insurance, investments, etc.) will induce another IBO whom he has not personally registered to sell such products, literature, sales aids or services, or shall he or she offer to sell such products, literature, sales aids or services to any IBO except those personally registered by him or her. Induce means persuade (to suggest or attempt to persuade) another IBO whether or not this is done to obtain revenues or for any other reason.

IBOs may engage in other selling activities related to non–Corporation-approved or non–Corporation-produced products and services if they personally desire to do so, but they may not take advantage of any activity organized
to promote the Corporation’s products or the Corporation, or any other IBO’s efforts or resources, or of their knowledge of, or association with, other IBOs, especially those not personally registered by them, to promote and expand their other selling activities. To do so constitutes an unwarranted and unreasonable interference in the business of other IBOs. This does not mean, however, that an IBO regularly engaged in the operation of a gasoline station, repair garage, retail establishment, barber or beauty shop or a professional service (law, medicine, dentistry or accounting) may not serve clients or customers who are IBOs and have sought them out, but it does mean that such IBOs may not actively solicit the patronage of other IBOs who are not personally registered by them.

4.14.1. This section also applies to privately developed Business Support Materials (“BSM”).

4.14.2. A husband and wife are deemed to operate their IB as a single entity regardless of whether both names are on the IB. Therefore, each is held accountable for the actions of the other so far as the Rules are concerned. The Corporation reserves the right to terminate the remaining IBO’s authorization as an IBO in the event that one partner of husband-wife partnership elects to resign his or her authorization as an IBO and subsequently takes advantage of his or her knowledge of, or association with, other IBOs to promote and expand his or her other business enterprises.

4.15. Enticement to Change Lines of Sponsorship: Under no circumstances shall an IBO solicit, interfere or attempt to induce, suggest, directly or indirectly, another IBO to request a change to another Sponsor or Line of Sponsorship.

4.16. Exporting the Corporation’s Products: No IBO may export or import, or knowingly sell to others who import or export, the Corporation’s products from the United States or its possessions or territories, or from any other country in which it has established operations, into any country regardless of whether or not the Corporation is doing business in that country.

4.16.1. For legal reasons, including trade name and trademark protections; local laws on product registration, packaging, labeling, ingredient content and formulation, product liability; customs and duty laws; and literature content or language requirements, the Corporation must limit the resale of its products by IBOs to only other IBOs, Members and Clients located within the country in which the IBO legally buys the Corporation’s products and is authorized to do business.

4.16.2. The term “products” as used in Rule 4.16 includes all services, literature, sales aids, PERSONAL SHOPPERS® Catalog items and any other items obtained by an IBO from the Corporation or from his or her Sponsor or Platinum.

4.17. Sound Business Practices: An IBO must operate his or her IB in a financially responsible, solvent and businesslike manner. The Corporation shall have the right to take action against any IBO or IB that it knows or reasonably believes is operating their IB in a financially irresponsible manner, insolvent or unbusinesslike manner.

4.17.1. In signing an IBO Registration Form or Notice of Intent to Continue, an IBO represents to the Corporation that there is no legal bar or limitation on his or her ability to meet the legal obligations of an IBO, whether such obligations are to the Corporation, government entities, itself, Members, Clients or other IBOs. If there is an obstacle or limitation, the IBO must declare it.

4.17.2. The Corporation reserves the right to offset bonus payments for amounts an IBO owes to the Corporation.

4.17.2.1. If an IBO or any member partner in his or her IB files a petition for bankruptcy or has bankruptcy proceedings commenced against him or her, or has any assets seized by court order or taken in execution of an unsatisfied judgment debt, the IBO must immediately inform the Corporation.
4.17.2.2. In such cases, the Corporation reserves the right to terminate the IBO, to alter its terms of conducting business with the IBO, or to negotiate with the trustee in bankruptcy or responsible court official concerning arrangements for the disposal of any products belonging to the Corporation which are in the possession of the IBO.

4.18. Seventy Percent Rule: An IBO must sell at least 70% of the total amount of products purchased during a given month in order to receive the Performance Bonus or recognition due on all the products purchased; if the IBO fails to sell at least 70%, then such IBO may be paid that percentage of Performance Bonus measured by the amount of products actually sold, rather than the amount of products purchased, and recognized accordingly.

4.18.1. Performance Bonuses are intended to be earned on sales volume. However, since the Business Volume during a particular month will, under normal circumstances, approximately equal the sales volume, or retail value, of the products an IBO sells during that month, and since it is cumbersome to administer the payment of Performance Bonuses on the basis of products actually sold (which would involve knowing the product inventory of every IBO), the payment of Performance Bonuses is for convenience based on monthly Business Volume rather than on a monthly sales volume.

4.19. Reserved
4.20. Reserved
4.21. Reserved

4.22. Retail Sales Rule: In order to obtain the right to earn a Performance Bonus during a given month, an IBO must make not less than one sale TO EACH OF 10 DIFFERENT RETAIL CUSTOMERS (e.g., Members or Clients) OR HAVE AT LEAST 50 PV OF SALES TO ANY NUMBER OF RETAIL CUSTOMERS (e.g., Members or Clients) that month, and upon request, produce proof of such sales.

4.22.1. In producing proof of such sales, the IBO should not disclose the prices at which he or she made the retail sales.

4.22.2. If such IBO fails in any month to make said retail sales and/or to produce such proof of making such sales, then he or she shall be denied his or her Performance Bonus that month and may subsequently lose all registration rights if he or she continues to fail to meet this requirement. This Rule shall apply to an IBO until he or she attains the status of Platinum or above.

4.23. Unsolicited E-mail Messages: No IBO shall send, transmit or otherwise communicate any unsolicited e-mail messages to persons with whom the IBO does not have a pre-existing personal or business relationship. (This includes, but is not limited to, sending e-mails through newsgroups, purchased mailing lists, “safe lists” or other lists of individuals or entities with which the IBO does not have a relationship.)

4.23.1. Employment Postings – If an IBO responds to an employment posting for some- one seeking an employment opportunity, they shall clearly state within the first paragraph of the response that they are offering a business opportunity and not an employment opportunity. Any materials used with a prospect must be approved by the Corporation in accordance with Rule 7 herein.

4.24. Fund-raising: No IBO shall use Corporation products in conjunction with any type of fund-raising activity. Fund-raising includes the solicitation for the purchase of Corporation products or services based on the representation that all, or some, of the gains, proceeds, bonuses, or profits generated by such sale will benefit a particular group, organization or cause.

4.25. IBO Plan Manipulation: No IBO shall manipulate the IBO Plan or sales volume, in any way which results in the payment of bonuses or other awards and recognition that have not been earned in accordance with the terms of the IBO Plan and/or the Business Compendium.

4.26. Personal/Business Information Update: All IBOs are responsible for communicating any updates or changes to their personal information (e.g., name, address and telephone num-
5. Responsibilities and Obligations of All Sponsors

5.1. Maintain Good Standing/Conform to Rules: In order to register other IBOs, an IBO must be in good standing and meet all requirements as set forth in these Rules.

5.1.1. In the event that a Sponsor fails to personally train and supply his or her IBO, or if suitable arrangements are not made to provide such services, the rights to any IBOs whom he or she may have registered shall pass up to the next Sponsor in his or her Line of Sponsorship in accordance with Rule 6.11.

5.1.2. An IBO who fails to timely file an Intent to Continue Form in accordance with Rule 3.8 shall be deemed to have violated this Rule and as a result, may lose the registration rights to his or her downline IBOs and any links to his or her registered Members and Clients.

5.2. Prohibited Registration Practices:
Neither a prospective IBO, as a condition to becoming a new IBO, nor any currently authorized IBO, as a condition to receiving assistance in the development of their IB from their Sponsor, shall be required to:

5.2.1. Purchase any specified amount of products or services.
5.2.2. Maintain a specified minimum inventory.
5.2.3. Purchase any non-Corporation-produced “starter,” “decision” or other “pack” or “kit.”
5.2.4. Purchase tapes, literature, audio-visual aids or other materials or participate in any “tape of the month” or “tape of the week” programs.

5.2.5. Purchase tickets for and/or attend or participate in rallies, seminars or other meetings.
5.2.6. Purchase hardware or software for computers, subscribe to an Internet service provider (ISP) or establish a Web site.

The only requirements which an IBO can impose upon a prospect whom he or she is willing to register is that the prospective IBO shall possess the literature portion of the Registration Pack (without substitution or alteration in the contents) and sign a completed IBO Registration Form and submit it to the Corporation.

5.3. In order to register other IBOs, an IBO must be at least 18 full years of age, or the age of majority in the state of his or her residency, whichever is older, and:

5.3.1. Registration Pack: Ensure that all IBOs that he or she registers are provided with the appropriate unaltered Registration Pack.

5.3.2. Order Fulfillment: IBOs must stock sufficient products and sales supplies to enable them to service any IBOs whom they have registered with the normal needs from inventory. In the event that the IBO has registered IBOs who order directly from the Corporation, the IBO is responsible for ensuring that his or her downline IBOs can obtain their products in such manner. If a downline IBO is unable, for any reason, to place an order directly with the Corporation, his or her upline IBO remains responsible for ensuring that the IBO can obtain product and services. This Rule applies only to such products as are normally sold on a cash basis by IBOs. Products that are normally sold on an order basis, such as cookware and large-size products that are sold to commercial users and are delivered directly from the warehouse, need not be stocked.

5.3.3. Training and Motivation: IBOs must be able to train and motivate the IBOs whom they have registered with a minimum of assistance from their first upline Platinum or above. If the IBO is a member of an established business-building system, he or she may make arrangements for his or her IBOs...
to be trained and motivated by the activities and BSMs of that system, but under no circumstances may an IBO be forced or coerced to participate in the system. If a downline IBO is unable, for any reason, to access the system or chooses not to use the system, his or her IBO must be able to provide training and motivation.

5.3.4. Servicing Arrangements: If an IBO is unable or unwilling to service his or her downline IBOs with the proper supply of products, training or motivation, he or she must make arrangements, in writing, with his or her first upline Platinum or above to have this done, in which case he or she must be willing to compensate his or her Platinum or above for this service. An IBO who lives at a distance from his or her downline IBOs must also personally supply, train and motivate their new IBOs, or he or she must make arrangements, in writing, with his or her Platinum or above to have this done, in which case he or she must be willing to compensate his or her Platinum or above for this service.

5.3.4.1. If a Servicing Arrangement is used, the full PV/BV must always be transferred to the serviced IBO so that bonuses are correctly paid.

5.3.5. Distribution of Performance Bonuses: IBOs must promptly process and redistribute, in proper proportion, the monthly Performance Bonus received from their upline Platinum or above or from the Corporation to all downline IBOs to whom a Performance Bonus is due before the end of the month during which the Performance Bonus check is issued, unless his or her registered IBOs are paid directly by the Corporation.

5.3.5.1. Some IBOs receive a Performance Bonus from the Corporation in a fiduciary-like capacity to the extent that a part of it is owed to their downline IBOs. The IBO cannot retain any portion to which a downline IBO is entitled, even where the downline IBO owes a private debt to the upline IBO, unless there is a written agreement between the parties permitting such retention. Even with such a written agreement, the upline IBO may retain only the net portion of the Performance Bonus due to the agreeing IBO, and not any portion due other downline IBOs.

5.3.5.2. If the Corporation or the first upline Platinum or above believes an IBO is not in compliance with the Rules of Conduct, his or her Performance Bonus will be sent to the upline Platinum or above for handling. Regardless of whether or not an IBO receives a Performance Bonus check directly from the Corporation or from the upline Platinum or above, the IBO’s acceptance of such Performance Bonus shall be deemed an affirmation that he or she is in compliance with the Corporation’s Rules of Conduct, including the Retail Sales Rule 4.22.

5.3.5.3. Minimum Bonus Payment Requirements: In order to receive a monthly bonus payment, the amount due from the Corporation must be $3 or greater.

5.3.5.3.1. Monthly bonus amounts of less than $3 will be carried forward as an account payable until the end of the year or such time that the $3 monthly threshold is met, whichever is sooner.

5.3.5.3.2. IBOs who at year-end, or upon termination of the IB, have an account payable balance of less than $1 due them from the Corporation will not be entitled to receive such amount.

5.3.6. Buy-Back Rule: IBOs are required to purchase back from any of their personally registered IBOs who are resigning their IB, upon their request, any unused, currently marketable products and/or currently marketable literature and merchandising or business-building aids.

5.3.6.1. The IBO shall offer to repurchase said products, literature and merchandising or business-building aids at a price mutually agreeable to the departing IBO.

5.3.6.1.1. It may be appropriate to consider a price equal to the published IBO
5.3.6.2.4. The Corporation will also charge a service charge equal to 10% of the BV of the products being returned to cover handling and processing charges.

5.3.6.3. IBOs purchasing BSM not produced by the Corporation must understand that the source from which they acquired such materials is responsible for honoring any buy-back agreement. IBOs who elect to purchase BSM not produced by the Corporation are encouraged to negotiate an understanding regarding any buy-back guarantee at the time of purchase. The Corporation cannot assist in procuring such refund.

5.3.7. Independent Relationship: IBOs shall not represent or imply, either directly or indirectly, that there is an employment relationship between themselves and the IBOs whom they have registered.

5.3.8. Instruct Compliance with the Rules: An IBO shall use his or her best efforts to encourage each of his or her personally registered IBOs to fully comply with these Rules and to conduct their IB in accordance with the law and official literature of the Corporation.

5.4. Responsibilities of an IBO at the Platinum Level or Above

5.4.1. Requalification: To attain and retain the title and privileges of an IBO at the Platinum level or above, an IBO must initially qualify and then requalify each fiscal year (Sept. 1 to Aug. 31). The requirements of qualification and requalification are specified in the Business Compendium.

5.4.2. Responsibilities: Included among the responsibilities and functions of a Platinum or above are the duties to:

5.4.2.1. Maintain adequate stocks of products, literature and sales aids or assure that IBOs in their Personal Group have alternative methods by which to obtain their business needs.

5.4.2.2. See that any Performance Bonus which is received monthly from the Corpo-
6. Preservation of the Line of Sponsorship

6.1. Protection of the Line of Sponsorship:
The sale of an ownership interest in an IB, transferring IB, merging two IBs or separating or dividing an IB, each inherently involve the assignment of the IBO Agreement or an amendment thereof, and, as such, require prior approval by the Corporation.

6.1.1. The transfer of an IBO (with or without his or her group) essentially moves the registration of that IB from one IBO to another.

6.1.2. When an IB is sold, such IB shall remain in the same Line of Sponsorship; it is not transferred to the buyer’s Line of Sponsorship.

6.1.3. Transfers may not be used to strategically restructure an IBO’s Line of Sponsorship or Personal Group.

6.2. Individual Transfers: An individual transfer involves the transfer of an IBO without any of his or her registered IBOs. Without limiting or restricting in any way the Corporation’s powers and discretion under 6.1 above:

6.2.1. Any IBO (including a Platinum or above) who wants to change Sponsors must submit a written request to the Corporation accompanied by (1) a written release signed by all the IBOs in his or her Line of Sponsorship up to and including the first qualified Platinum or above, and (2) a written acceptance from the new IBO and new Platinum or above. The written acceptance from the new Sponsor and Platinum or above confirms that they will incur all responsibilities of the transferring IBO, including redemption of Nutrilite stamp cards, and Business Volume Vouchers. The Corporation will also contact any International Sponsor and International Leadership Bonus recipients and will allow 30 days for comment.

6.3. Group Transfers: A group transfer involves the transfer of an IBO with all or some of his or her Personal Group. Without limiting or restricting in any way the Corporation’s powers and discretion under 6.1 above:

6.3.1. An IBO who wishes to transfer to a different Sponsor with all or part of his or her Personal Group must submit a written request to the Corporation accompanied by the written consent from all IBOs in his or her Line of Sponsorship up to and including the first IBO who is qualified at the Platinum level or above and all IBOs who are qualified at the Platinum level or above up to and including the first IBO who is qualified at the Emerald level or above.

6.3.1.1. If the first upline IBO who is qualified at a formal award level is a qualified Emerald or above, written consent must be received from the next IBO who is qualified at the Platinum or above who is upline from that Emerald.

6.3.1.2. The Corporation will then notify the first qualified upline Diamond IBO and allow fifteen days for comment.

6.3.2. The transfer request must be accompanied by written consents of all those IBOs, including those internationally registered,
whom the transferring IBO wishes to take with him or her and the written acceptance of the transfer, signed by the new Sponsor and Platinum or above IBO in the Line of Sponsorship to which the requester wants to be transferred.

6.3.2.1. The Corporation will also contact any International Sponsor and International Leadership Bonus recipients and will allow 30 days for comment.

6.3.3. No IBO currently recognized by the company as a Group Leader (e.g., Silver Producers, Gold Producers, Platinum, or Ruby, etc.) can be transferred with his or her Personal Group under this Rule.

6.3.3.1. A former Group Leader IBO may be transferred with his or her Personal Group if more than two (2) full years have elapsed since the last fiscal year in which the IBO was recognized as such, provided there has been compliance with the procedures outlined above.

6.3.4. All residual bonuses (e.g., MCI usage) will continue to be credited to the IBO number, which initiated the account, as long as the IBO number remains valid.

6.4. Six-Month Inactivity: An IBO who wishes to TERMINATE (by resignation or failure to renew) his or her IB under his or her present Sponsor and who thereafter becomes inactive for a period of six or more consecutive months shall cease to be an authorized IBO and may, following the lapse of said inactive period, register as a new IBO under a new Sponsor. The date on which the Corporation receives the letter of resignation begins the inactivity period. A letter of confirmation is sent by the Corporation to the IBO and his or her Line of Sponsorship acknowledging the start of the inactivity period. A person who has not renewed and has not submitted a letter of resignation will be considered to have submitted his or her intent on the date his or her IB expired and must remain inactive six months from that date. Applicants may not apply under this Rule to become a partner in an already existing IB.

6.4.1. To register as an IBO under this Rule, the applicant must complete a new IBO Registration Form which may be obtained from the Corporation. When the Corporation receives an IBO Registration Form, it notifies the original IBO at the Platinum level or above of the fact and grants him or her 15 days to file an objection to the inactivity claim. If evidence of activity during the six-month period is substantiated, the Corporation will refuse to honor the registration under the new Sponsor. The right of an IBO to contest the sponsorship of a former IBO who is now registered under a different Sponsor ceases when two years have elapsed since the date the Corporation accepted the registration under the new Sponsor.

6.4.2. Definition of Inactivity: Inactivity for purposes of this Rule shall mean that during the period of inactivity, the IBO shall be completely inactive, which means such IBO:

6.4.2.1. shall not have purchased products or services of the Corporation as an IBO for personal use (although he or she may do so as a Member or Client);

6.4.2.2. shall not have sold any products or services of the Corporation except pursuant to the “buy-back” policy, shall not have engaged in any phase of a product sale/purchase (e.g., taking an order, making a delivery, or accepting payment);

6.4.2.3. shall not have presented the IBO Plan to any prospective IBOs;

6.4.2.4. shall not have filed an Intent to Continue Form for the renewal of his or her IB;

6.4.2.5. shall not have attended any recruiting, training or motivational meeting conducted by any IBO or any Corporation-sponsored meetings; and

6.4.2.6. shall not have accepted or received any payment of bonuses, such as ongoing bonuses or normal monthly bonuses.

6.4.2.7. For purposes of this Rule, the following shall not constitute activity and do not, therefore, interrupt the running of the
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six-month inactivity period so long as the former IBO is otherwise inactive:

6.4.2.7.1. procuring and/or submitting a written request for transfer;
6.4.2.7.2. filing an application for an informal or formal conciliation; or
6.4.2.7.3. directing an inquiry to the Corporation as to the status of his or her IB.

6.4.2.8. During the inactive period, the former IBO must not participate in any activity under another IB in the name of his or her parents, siblings or others or he or she shall be determined as “active” for the purposes of this Rule.

6.4.2.9. All ongoing bonuses will continue to be credited to the IBO number that initiated the contact as long as the number remains valid. Once that IBO number becomes invalid, all ongoing bonuses will be paid to the registering IBO of the former IBO. An inactive IBO who has not formally resigned could have a “current” IBO number on the Corporation’s files and could be sent a bonus as a result. Therefore, accepting any of these bonuses constitutes activity during his or her inactivity period.

6.4.2.10. When either a husband or wife is an IBO, both must fulfill the six-month inactivity requirements before one or both can be registered again as an IBO.

6.4.2.11. If the IBO who is changing Sponsors under this Rule also has any internationally registered IBOs, the IBO’s internationally registered IBOs are forfeited once the six-month inactivity period has begun and the Corporation has acknowledged it in writing.

6.4.3. Two-Year Inactivity: An IBO who transfers to, or who following six months of inactivity, applies for registration under a different Sponsor pursuant to the provisions of this Rule, may not be registered by any IBO who was previously above him or her in his or her original Line of Sponsorship up to and including the first IBO qualified at the Platinum level or above, unless at least two years have elapsed since the termination of his or her IB.

6.4.4. An IBO who transfers to, or who, following six months of inactivity, registers under a different Sponsor pursuant to the provisions of this Rule, shall have no right to register in his or her new Personal Group any IBO who was previously above him or her in his or her original Line of Sponsorship up to and including the first IBO qualified at the Platinum level or above, or below him or her in his or her former Personal Group down to and including the first IBO qualified at the Platinum level or above. However, an IBO who has been inactive for a period of two years following his or her resignation may be registered by any Sponsor, including his or her former Sponsor who may have since been transferred to or registered by a different Sponsor.

6.4.5. An IBO’s continuing business activity in another country will not affect his or her eligibility to register again after six months of inactivity as an IBO in any other country in which the Corporation conducts business.

6.4.6. A formerly foster-registered IBO may register again subject to paragraphs 6.4.1, 6.4.2, 6.4.3, and 6.4.4 and the following conditions:

6.4.6.1. at the time of registration, the former IBO must specify whether or not he wishes to be internationally and foster sponsored again, and

6.4.6.2. a former IBO may not be personally sponsored by a Sponsor who was previously above him or her in his or her original line of foster sponsorship up to and including the first IBO qualified at the Platinum level or above, or below him or her in his or her original Personal Group down to and including the first IBO qualified at the Platinum level or above unless two or more years have elapsed since the termination of his or her IB.

6.4.7. Corrective Action: If any provisions to
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this Rule are violated, the Corporation may take corrective action, which may include, but is not limited to, the termination of the violating IBO’s business, and transfer of his or her former Personal Group and/or the Business Volume generated during the period of violation to the appropriate Line of Sponsorship.

6.5. Reserved

6.6. Sale of an IB: An IBO who owns and operates an IB (whether or not qualified as a Platinum or above IB) may sell his or her ownership interest in such IB only to another authorized IBO. The Corporation requires that specific terms of sale be included in any sales agreement. Such terms and a sample sales agreement may be obtained from the Corporation. In order to preserve the Line of Sponsorship, the selling IBO must offer his or her IB in the following order of priority:

6.6.1. the first option to purchase belongs to his or her International Sponsor, who retains throughout the sales negotiations to sell the IB the right to acquire the same by meeting the price and conditions of any bona fide offer received by and deemed acceptable to the Seller;

6.6.2. the second option to purchase belongs to his or her local Foster Sponsor so long as the first option has not been exercised. In the event the selling IBO has no International Sponsor, the local Sponsor retains throughout the sale negotiations to sell the IB the right to acquire the same by meeting the price and conditions of any bona fide offer received by and deemed acceptable by the Seller;

6.6.3. the third option, exercisable so long as the first or second options above have not been exercised, belongs to any one of the Seller’s personally registered IBOs;

6.6.4. the fourth option, exercisable so long as the first, second or third options above have not been exercised, belongs to any qualified Platinum IBO or above either up or down the Line of Sponsorship to the next qualified Diamond;

6.6.5. The final option, exercisable so long as the first, second, third or fourth options above have not been exercised, belongs to any IBO in good standing in any Line of Sponsorship who meets the following criteria, as reasonably determined and approved by the Corporation:

6.6.5.1. Possesses sufficient expertise in the business so as to demonstrate a complete and accurate understanding of the IBO Plan and the business;

6.6.5.2. Possesses a complete and accurate understanding of the Rules of Conduct and demonstrates a willingness to abide by them;

6.6.5.3. Possesses adequate resources to operate the seller’s IB and to provide necessary training and support;

6.6.5.4. Possesses an understanding of any relevant market factors that may impact the operation of the seller’s IB;

6.6.5.5. Is not currently engaged in any dispute or possess any conflict which may impact their ability to operate the seller’s IB.

6.6.6. Such sale shall not become final and no changes in ownership will be implemented until the sales agreement has been received and approved by the Corporation.

6.6.7. If the IBO wishes to sell his or her IB under terms and conditions different from those of his or her first offer, the IB must be once again offered for sale under the revised terms and conditions in accordance with the order of priority indicated above.

6.7. Mergers and Combinations of IBs: No merger or combination of two or more existing IBs by reason of intentional affirmative act on the part of the owners shall be permitted which results in the merging IBs obtaining any level of achievement.

6.7.1. Only those mergers or combinations resulting from failure to file a Notice of Intent to Continue Form, termination, resignation, death (with no designation of succession by heirs), or some involuntary event or cause beyond the control of any of the owners, shall be permitted, provided, however, that a permissible merger and combination must not be
implemented until same has been reviewed and approved by the Corporation.

6.7.2. Under no circumstances will the Corporation approve a merger which results in an IBO attaining a higher award level.

6.8. Two IBs Rule: An IBO may own or have an ownership interest in only one IB except as provided below:

6.8.1. where two IBOs marry and one or both have attained the Platinum level or above prior to marriage pursuant to Rule 3.2.2;
6.8.2. where an existing IB purchases another IB pursuant to Rule 6.6;
6.8.3. where an IBO (transferor), in order to facilitate the transfer of his or her IB in the event of his or her death, requests the name of another existing IBO be added to his or her IB. The name of the transferor(s) must continue to be on the IB until his or her death, and supporting estate-planning documentation must be provided to the Corporation;
6.8.4. where an existing IBO inherits all or a portion of an IB; and
6.8.5. in the event an IBO owns or has an ownership interest in two or more IBs pursuant to this Rule, he or she may operate such IBs jointly under a single incorporated, limited liability company or partnership umbrella, but the Corporation shall continue to carry such IBs and will only recognize them as separate, individual IBs for both award and bonus purposes.

6.9. Integration: An IBO who is a parent may integrate his or her IB with his or her child’s (children’s) IB provided the following conditions are met:

6.9.1. the child(ren) must be personally registered by the parents;
6.9.2. the child’s (children’s) IB must have operated as a separate IB for not less than 10 years;
6.9.3. the child(ren) shall have achieved the level of at least Platinum as of the implementation date;
6.9.4. upon integration, the parent(s) and child(ren) agree to relinquish all rights to awards and reward level personally achieved in their own IBs;
6.9.5. request for integration shall be made in writing at least 12 months prior to the implementation date;
6.9.6. in the event that the parent(s) are deceased or are not mentally or physically capable of running the IB before conditions 6.9.2 and 6.9.3 above have occurred, the children inheriting the IB of their parent(s) shall have the right to integrate the separate IBs in accordance with this Rule;
6.9.7. provided the above conditions are met, the Legal and Ethics Committee of the IBOAI Board shall review such request and provide the Corporation with a recommendation. The Corporation shall evaluate the request in light of such recommendation and the goals, objectives and benefits of the IBO Plan; and
6.9.8. upon the granting of the request for integration by the Corporation, implementation shall be as follows:

6.9.8.1. the implementation date shall be September 1 after the passing of at least one full fiscal year following receipt of the written request;
6.9.8.2. at the implementation date, the child(ren) and parent(s) are eligible for all awards and recognition to the separate IBs earned during the previous fiscal year; and
6.9.8.3. all awards and recognition, based on the combined IBs, shall begin accruing as of the implementation date. Thus, any higher awards based on the combined IBs will be awarded upon completion of qualification after the implementation date.

6.10. Divorce, Separation or Other Dissolution: Whenever an IBO is to be separated or divided as a result of a divorce, or a partnership or corporate dissolution, such separation or division must be accomplished in such a way as not to adversely affect the interests and/or income of IBOs above that IB in the Line of Sponsorship. IBOs who become involved in divorce suits or partnership or corporate dissolutions must give proper consideration to their registered IBOs as well as to the IBOs above them in the Line of

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Sponsorship. They must conduct themselves so as not to endanger or destroy their Personal Group of IBOs or to adversely affect the income of their Personal Group or of their upline IBOs. If they fail or refuse to provide for the best interest of IBOs in the Line of Sponsorship, then the Corporation will have no choice but to step in, remove the parties as Sponsors, and move the entire organization up the Line of Sponsorship to the next qualified Sponsor. It may even be necessary to terminate the IB that is being divided or separated.

6.10.1. During the Pendency of Divorce or Dissolution: During the pendency of a divorce or partnership or corporate dissolution, the parties must adopt one of the following methods of operation:

6.10.1.1. If one of the parties is willing to relinquish his or her right and interest in the IB, thereby leaving his or her spouse or partner(s) to manage the IB, he or she may do so by executing an assignment of such interest to the spouse or to his or her partner(s). A form of such assignment is available from the Corporation. When the withdrawing party has signed the assignment and filed with the Corporation, the Corporation’s records will be changed to show ownership of the IB in the sole name(s) of the remaining IBO(s).

6.10.1.2. If both spouses in a divorce situation agree that, despite their domestic difficulties, they can continue to operate the IB jointly on a “business-as-usual” basis during the pendency of the divorce action, they may do so. In such case, all bonuses will continue to be paid in the joint names of the IBOs involved.

6.10.1.3. If all parties to a partnership agree that, despite their desire to dissolve the partnership, they continue to operate the IB jointly on a temporary basis, they may do so, provided they continue to perform all the responsibilities of a sponsor. All bonuses will continue to be paid in the joint names of the partners pending the final agreement of dissolution.

6.10.1.4. If the parties in a divorce action or in a partnership or corporate dissolution do not agree to operate under alternatives given in the three preceding paragraphs, then they must make arrangements to have their IB operated by a third party as a receiver until the divorce or partnership or corporate dissolution has been completed. Their Sponsor, Platinum or a third party acceptable to all parties may be selected to act as receiver during the pendency of the divorce or dissolution action. The parties must reasonably compensate the “receiver” for handling the business during the pendency of the divorce or dissolution action.

6.10.2. May Not Participate in Operation of Any Other IB: During the pendency of a divorce, neither party may operate nor participate in the operation of the IB of any other IBO.

6.10.2.1. Rule 3.2 of the Rules of Conduct provides that, if a husband and wife both wish to be IBOs, they must be registered together as a single IB. A husband or wife may not be registered in different Lines of Sponsorship, nor may they register each other. This Rule applies until such times as the parties are no longer husband and wife as determined by a Final Order or Judgment entered by a court of law. This means that Rule 3.2 applies even when a divorce is pending or, although there is no pending divorce, the parties are no longer living together. The restriction against a husband and wife operating separate IBs does not end until a court of competent jurisdiction has entered a Final Decree or Judgment of Divorce and a certified copy of the Decree or Judgment has been filed with the Corporation.

6.10.3. Post-Divorce Operation of an IB: Divorcing parties may, after a Final Decree or Judgment of Divorce, or for IBOs a Final Separation Agreement or other domestic contract that contains a legally enforceable Property Settlement or Division of Assets that addresses their IB, operate a single or
must be accompanied by the written consent of all non-qualified IBOs and non-Group Leaders whom the divorcing IBOs wishes to take with him or her. Additionally, such request must be accompanied by a written release signed by all IBOs in their current Line of Sponsorship up to and including the first IBO qualified at the Platinum level or above and by all IBOs qualified at the Platinum level or above up to and including the first qualified Emerald IBO. The Corporation will then notify the first qualified upline Diamond IBO of the request and will allow 15 days for comment. If the first IBO qualified at a formal award level is an Emerald IBO, then a written release must be received from the first qualified upline Platinum IBO above the Emerald, as there could be an effect on Depth Bonus. The Corporation will also contact any International Sponsor and International Leadership Bonus Recipients and will allow 30 days for comment. All changes to a Line of Sponsorship pursuant to this Rule are subject to the Corporation’s approval.

It is the responsibility of the divorcing parties and the parties who sign the necessary releases to understand the effect this option may have on their current and future income.

6.10.3.1.4. Qualified Emeralds or above may divide their IB in any way they choose, thereby creating two separate IBs, one of which may be registered by the other, in which case a “phantom IB” will be imposed over their separate IBs. Under the “phantom IB” arrangement, regardless of how the parties may split their IB and regardless of the fact that one may register the other, their separate IBs will be considered a single IB for purposes of determining monthly bonuses to be paid to their sponsors and to other IBOs up the Line of Sponsorship. Although the parties will function as two separate IBOs so far
as they themselves are concerned, so far as their individual IBs are concerned, and so far as their registered IBOs are concerned, the Corporation will combine the volumes from each of the IBs as if the parties had never been divorced or had never divided their IB for purposes of calculating and paying monthly bonuses upline. Consequently, the IB of one former spouse is not permitted to earn a Leadership Bonus or a Monthly Depth Bonus on the volume of the IB of the former spouse. Only one Leadership Bonus and one Monthly Depth Bonus will be paid, and such bonus will be paid to the appropriate upline IBOs in accordance with the IBO Plan.

Even though the original IB is divided into two separate IBs, the Corporation will, if the former spouses request, recognize both newly created IBs as a single entity for purposes of determining annual bonuses. Thus, the “phantom IB” arrangement will continue the previously existing IB for purposes of calculating and paying higher award level bonuses to the original partners. If one former spouse registers the other, the downline IBOs at maximum Performance Bonus level will not count as a qualifying “leg” for award purposes. The Corporation will issue all annual bonus checks in the joint names of the former spouses, leaving it to them to determine how the funds are to be divided. The former spouses must agree that both will endorse the check before it is deposited or cashed and that they will indemnify the Corporation against any claim by the other as to any improper registration or misappropriation of the bonus proceeds.

Whenever an Emerald or above IB is divided between former spouses, both of the former spouses are permitted to attend any function which their former pin level would have entitled them for one calendar year following the calendar year in which the divorce occurred. For example, any two individuals will be permitted to attend either Diamond Club or Executive Diamond Council functions during the year in which the divorce occurs and one calendar year thereafter. In the second calendar year, neither party will be invited to attend either Diamond Club or Executive Diamond Council meetings until they have separately built their respective IB to the required pin level.

Once an IB has been divided into two IBs, the new IBs will no longer be considered as a single combined IB for purposes of future higher pin/award recognition, but each separate IB must thereafter qualify on its own.

Each spouse’s IB will be assigned a new IBO number. The number assigned to their former IB will be reserved for two years following the Corporation’s fiscal year in which the divorce becomes final in order to accommodate bonus or other monetary adjustments which may be required as a result of a Final Decree or Judgment of Divorce or other appropriate court order. Moreover, the former number will not be assigned to any other IBOs for at least one additional twelve (12) month period.

To effect a division of the IB and to permit the former spouses to operate separate IBs, the Corporation will require that the parties file (1) a certified copy of the Final Decree or Judgment of Divorce together with an executed copy of the Property Settlement Agreement, if any, which may have been incorporated into the Final Decree or Judgment of Divorce, or (2) a properly executed “Assignment of IB” form, where the parties have agreed to the complete withdrawal from the original IB by one of the spouses.
6.10.4. Post Dissolution of a Partnership

IB: Partners who wish to dissolve a partnership IB may, following such dissolution, operate separate IBs in accordance with the following provisions:

6.10.4.1. For IBOs at any level of achievement, any of the partners may completely relinquish all rights in the original IB, including all registered IBOs, to the other partner(s), at which time the withdrawing party is free to (a) sign as an IBO under his or her former partner(s), (b) sign as an IBO under his or her original sponsor, or (c) sign as an IBO in a completely different Line of Sponsorship of his or her choosing, provided that such withdrawal is not done to circumvent the six-month inactivity provision of Rule 6.4.

6.10.4.2. IBOs qualified at the Platinum level or above may also divide their business with one partner maintaining ALL legs currently, or within the past two years, recognized by the Corporation as a Group Leader (i.e. Silver Sponsor, Silver Producer, Gold Producer) or Platinum IBO or above, and the other partner maintaining all, some or none of the remaining IBOs. The partner maintaining any currently qualified legs, or any IBOs recognized within two years as a Group Leader, will be registered by the partner maintaining the non-qualified/non-group leader legs. All bonuses will be paid in the normal manner on the merits of each partner’s individual IB.

In order to be permitted to divide their IB as discussed above, the dissolving partnership must put their request in writing signed by all partners, and such requests must be accompanied by the written consent of all non-qualified IBOs and non-Group Leaders whom the dissolving partners wish to take with him or her. Additionally, such request must be accompanied by a written release signed by all IBOs in their current Line of Sponsorship up to and including the first IBO qualified at the Platinum level or above and by all IBOs qualified at the Platinum level or above up to and including the first qualified Emerald. The Corporation will then notify the first qualified upline Diamond IBO of the request and will allow 15 days for comment. If the first IBO qualified at a formal award level is an Emerald IBO, then a written release must be received from the next upline IBO who is qualified at the Platinum or above level above the Emerald, as there could be an effect on Depth Bonus. The Corporation will also contact any International Sponsor and International Leadership Bonus recipients and will allow 30 days for comment. All changes to a Line of Sponsorship pursuant to this Rule are subject to the Corporation’s approval.

It is the responsibility of the dissolving partners and the parties who sign the necessary releases to understand the effect this option may have on their current and future income.

6.10.4.2.1. Qualified Emeralds or above may divide their IB in any way they choose, thereby creating two separate IBs, one of which may be registered by the other, but a “phantom IB” arrangement will be imposed over their separate IBs. Under the “phantom IB” arrangement, regardless of how the parties may split their IB and regardless of the fact that one may be the Sponsor of the other, their separate IBs will be considered a single IB for purposes of determining monthly bonuses to be paid to their sponsors and to other IBOs up the Line of Sponsorship. Although the parties may function as two separate IBOs as far as they themselves are concerned, as far as their individual IBs are concerned and as far as their registered IBOs are concerned, the Corporation will combine the volumes from both IBs as if the parties had never divided their IB for purposes of calculating and paying monthly bonuses upline. Con-
to attend Diamond Club or Executive Diamond Council functions during the year in which the partnership dissolution occurs and one calendar year thereafter. In the second year, neither will be invited to attend either Diamond Club or Executive Diamond Council meetings until each of them has separately built their respective IB to the required pin level.

Once an IB has been divided into two IBs, the new IB will no longer be considered as a single combined IB for purposes of future higher pin/award recognition, but each separate IB must thereafter qualify on its own.

Each partner’s IB will be assigned a new IBO number. The number assigned to their former IB will be reserved for two years following the Corporation’s fiscal year in which the partnership dissolution becomes final and in order to accommodate bonus or other monetary adjustments which may be required in accordance with the Partnership Dissolution Agreement. Moreover, the former number will not be assigned to any other IBO for at least one additional twelve (12) month period.

In order to divide or separate an IB formerly operated by partners, the Corporation requires that it be provided with (1) a properly executed “Assignment of IB” form if the parties have agreed to complete withdrawal from the original partnership IB by one or more of the partners or (2) a properly executed Partnership Dissolution Agreement outlining the terms of the separation of the former partnership IB.

6.11. Disposition of an IB: If an IBO resigns his or her IBO Registration, or fails to renew it within the required time period or dies without leaving heirs who are ready, willing and able to become an IBO and assume the responsibility of the direction of the IB, the Corporation, at its sole discretion, shall decide the future of the IB in accordance with these Rules.
7. Business Support Materials

Some IBOs offer for sale to other IBOs in their Personal Group a variety of business-building, training and merchandising aids such as books, magazines, flip charts and other printed materials, online literature, Internet Web sites, audio and video tapes, rallies, meetings and educational seminars and other types of materials designed to assist IBOs in building their businesses, which are not produced by the Corporation (“Business Support Materials” or “BSM”). BSM are entirely optional and IBOs who choose to sell, purchase or utilize such BSM must comply with this Rule. IBOs who choose to sell or distribute BSM must emphasize that the purchase of BSM is strictly voluntary; no IBO may ever require another IBO to purchase any BSM. IBOs may not offer to sell BSM to prospects, including Members or Clients.

The Corporation does not endorse the representations made in any BSM. The Corporation’s review is solely for the determination of compliance with its Rules of Conduct and business practices and policies. IBOs may not offer to sell BSM to prospects (including Members and Clients), nor require the purchase of BSM as a precondition to becoming a Client, Member or IBO.

7.1. Prospects: BSMs may be used with prospects only in accordance with the following:

7.1.1. IBOs must not use with prospects, sell or distribute to prospects, or say, suggest or imply that any BSM have been authorized for use with prospects without the prior written authorization of the Corporation. All BSM shall display the dates they were published or recorded, and the name of the publisher/producer.

7.1.2. IBOs must not use with prospects or distribute to prospects BSM which suggest, imply, promise or guarantee, either directly or indirectly, that any specific level or amount of sales, income, profit or earnings may be derived from an IB, or from selling any specific line or lines of the Corporation’s products.

7.1.3. IBOs who have received authorization to use BSM from the Corporation in accordance with these Rules of Conduct shall place on the BSM the following legend or its equivalent: “Content Reviewed,” followed by the content review identification number. The Corporation reserves the right to limit the duration of such authorization, provided however that should the BSM be revised before the expiration of such authorization, the revised BSM must be resubmitted for authorization prior to republishing.

7.1.4. The provisions of 7.2, 7.2.1, 7.2.2, 7.2.3, 7.2.4 and 7.2.5 also apply to BSM covered by 7.1.

7.2. Existing IBOs: BSM may be used with existing IBOs only in accordance with the following:

7.2.1. IBOs shall not use or distribute any BSMs which contain any presentation, explanation or illustration of the IBO Plan, or any part thereof unless expressly authorized by the Corporation as provided herein. The content of BSMs must comply with the Rules of Conduct and shall not infringe in any way on the Corporation’s copyrights, trademarks or other intellectual property rights.

7.2.2. BSMs relating to the uses of products offered by the Corporation, characteristics of the products offered by the Corporation and/or performance of products offered by the Corporation shall not be produced, sold or distributed by IBOs unless expressly authorized by the Corporation. IBOs may incorporate into their newsletters or include in their recorded or written presentations full and exact reproduction(s) of materials set forth in literature produced and distributed by the Corporation, provided however such reproductions may only utilize dated materials for the time period specified in the Corporation’s materials.

7.2.3. IBOs may produce BSMs dealing with general subjects of a “how-to” nature, including “how to sell products,” “how to conduct training meetings,” “how to manage inventory,” “how to motivate people” and “motivational success stories,” etc. However, BSM dealing with “how to show the IBO Plan”
must be expressly authorized by the Corporation. In addition to the requirements set forth in 7.2.5. below, such BSM shall bear the legend “For Existing IBOs Only.”

7.2.4. No IBO may produce, sell and/or distribute any BSMs which are deceptively similar to literature or material published and distributed by the Corporation to its IBOs or which could create the impression in a reasonable mind that such literature or material emanated from the Corporation or that its publication or distribution was authorized by the Corporation.

7.2.5. IBOs who have received authorization to use BSM from the Corporation in accordance with these Rules of Conduct shall place on the BSM the following legend or its equivalent: “Content Reviewed,” followed by the content review identification number. The Corporation reserves the right to limit the duration of such authorization, provided however, that should the BSM be revised before the expiration of such authorization, the revised BSM must be resubmitted for authorization prior to republishing.

7.3. Reserved

7.4. Remedial Action: The Corporation may require the submission for review of BSM intended for use with existing IBOs which are not specifically addressed by this Rule, but which are inconsistent with the Rules of Conduct or the goals and purposes of the IBO Plan. As a result of such review, the Corporation may require that such BSM be modified, or take other appropriate action(s) as it deems necessary to protect the goals and purposes of the IBO Plan.

7.5. Distribution of BSM: The distribution of BSMs to IBOs shall be in accordance with the following procedures:

7.5.1. IBOs who agree to make future purchases of BSMs through standing order or similar arrangements (i.e., arrangements which do not require the affirmative request for each future purchase) shall have the right to cancel or change their order at any time. Each IBO who sells BSMs under such arrangements shall provide to each purchaser at least twice a year, during the months of September and March, the following or substantially equivalent language conspicuously printed on a postcard:

“We have a continuing interest in you and your business. This special message is to help you evaluate expenses which relate to BSMs available to you. Your expenditures on these items should be reasonable compared to your business volume and profits. You should review your business expenses and decide whether you wish to continue purchasing future BSMs. The use of BSMs in connection with your business is voluntary and must always be in compliance with the Corporation’s Rules of Conduct. If you wish to discontinue receiving future [tape or book, etc.] please return this postcard. IF WE DO NOT RECEIVE THIS POSTCARD BY (_______________) YOU WILL CONTINUE TO RECEIVE FUTURE ISSUES OF [tape or book].”

7.5.2. IBOs who choose to sell BSMs and do so in a method other than standing order (i.e., a method which requires the affirmative request for each purchase), shall include with the sale of such items during the month of September each year the following or substantially equivalent language:

“The Corporation may require the submission for review of BSM intended for use with existing IBOs which are not specifically addressed by this Rule, but which are inconsistent with the Rules of Conduct or the goals and purposes of the IBO Plan. As a result of such review, the Corporation may require that such BSM be modified, or take other appropriate action(s) as it deems necessary to protect the goals and purposes of the IBO Plan.

7.5.3. IBOs who choose to sell BSMs shall not say, suggest, or imply that the use of any such materials will guarantee success or that the Corporation requires the use of any BSM. BSMs shall contain the following or substantially equivalent language:
7.8.2. Each IBO who chooses to sell tickets to seminars, rallies and other meetings is obligated to buy back tickets purchased for the purchaser’s personal use for a period of 30 days after the event, provided the IBO attended the event. Such refund shall be for that portion of the cost of the affair related to admission to the meeting, exclusive of the cost of travel, meals or hotel accommodations. The terms of the refund policy adopted by an IBO selling such tickets shall conform with 7.6 above.

7.9. No Recordings: No IBO may record or make a recording of, the talks and presentations made by an employee of the Corporation at any meeting, corporation sponsored or otherwise, except upon the prior specific written consent of the Corporation. An IBO may make a single recording of the talks and presentations made by non-Corporation employees at any company-sponsored meeting, provided such recording is for his or her personal use only and is not reproduced for any purpose.

8. Presentation of the IBO Plan
8.1. Must Not Give False Impression: When inviting a prospect to hear a presentation of the IBO Plan, an IBO shall neither directly nor indirectly through another IBO:
   8.1.1. give the impression that the IBO Plan relates to an employment opportunity,
   8.1.2. imply that the invitation is to a social event,
   8.1.3. disguise the invitation as a “market survey,”
   8.1.4. promote the event as a “tax seminar,”
   8.1.5. misrepresent the relationship between the IBO/IB and the Corporation,
   8.1.6. directly or indirectly indicate that such products are merely one line of products distributed through or as a part of a brokerage operated by a person, company or organization other than the Corporation,
   8.1.7. directly or indirectly indicate that the Corporation’s business, IBOs or products and services produced by the Corporation are part

“While the techniques and approaches suggested have worked for others, no one can guarantee that these techniques and approaches will work for you. We hope, however, that the ideas presented here will assist you in developing a strong and profitable business. These materials have been published independently of the Corporation.”

This same message shall also appear in the audio portion of any audiotape. BSM or be communicated through a substantially equivalent means.

7.6. BSM Buy-Back Policy: The Corporation’s Satisfaction Guarantee and Buy-Back Rule DO NOT APPLY to any BSMs. The Corporation will only honor the Satisfaction Guarantee with respect to its own materials. Upon request, an IBO who sells BSMs must buy them back from the original purchaser on commercially reasonable terms for a period of 180 days after the sale thereof; the purchaser must, upon request, provide proof of purchase if a buy-back of BSMs is demanded. The terms of the refund policy adopted by an IBO selling BSMs, including terms regarding procedures for the resolution of disputes and the responsible person for returns, must be clearly communicated to the purchaser prior to any such sale. In the event such terms do not include the responsible person for returns, the seller and the purchaser’s Platinum IBO or above shall be responsible for handling returns. Selling IBOs shall ensure that the terms and conditions of any refund policy adopted comply with all applicable laws.

7.7. Limiting Expenditures: Each IBO who chooses to purchase or sell BSMs must ensure that the quantity and cost of BSM are reasonably related to the sales volume and profits of that IB.

7.8. Seminars/Rallies: Business support offered in the form of seminars, rallies and other meetings conducted by IBOs shall adhere to the following procedures:
   7.8.1. Tickets to seminars, rallies and other meetings shall contain the same statement as in 7.5.3 above.
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of any business other than the Corporation’s business,
8.1.8. deny, if asked, that the presentation is about the IBO Plan, or
8.1.9. imply that it is anything other than a business event.

8.2. Reserved

8.3. Registration Guidelines: In seeking participation of a prospective IBO in the IBO Plan, the registering IBO must comply with the following guidelines:

8.3.1. Must disclose the average profits, earnings and sales figures and percentages as published from time to time by the Corporation.
8.3.2. Must use only Corporation-produced and Corporation-authorized literature. The Corporation authorizes for use privately produced Business Support Materials which have been submitted to the Corporation through a qualified EDC member or other corporate designee. For further information on how to submit materials, please contact the Business Relations Department.
8.3.3. Must verbally state the following at the beginning of the presentation: “The examples I will use are simply to show you how the IBO Plan works. They are not intended to project or promise any actual earnings. I’m giving you a brochure that fully describes the IBO Plan and contains average profits, earnings and sales figures and percentages. You should read this brochure to learn the average monthly gross income earned by an active IBO.”
8.3.4. Must give each prospect a copy of the latest edition of the Independent Business Ownership Plan (SA-4400) and show the Business Support Materials Arbitration Agreement from the Registration Pack to each prospect before signing the IBO Registration Form.
8.3.5. May use only those earnings and/or bonus representations based on their own personal experiences, provided that they at the same time disclose the average profits, earnings and sales figures and percentages as published from time to time by the Corporation.
8.3.6. May cite lifestyle examples, e.g., travel, automobile, homes of successful IBOs, and contributions to charitable causes, provided such benefits were actually accrued as the result of building a successful IB.
8.3.7. Must not say that a successful IB can be built in the form of a “wholesale buying club,” where the only products bought and sold are those transferred to other IBOs for their personal use.
8.3.8. Must not say that there is no requirement for the retail sale or marketing of products by IBOs.
8.3.9. Must not promote the enjoyment of tax benefits as the best or principal reason for becoming an IBO.
8.3.10. Must not say that the business is a “get-rich-quick” opportunity in which it is easy to achieve success with little or no expenditure of effort or time.
8.3.11. Must not present the IBO Plan or solicit participation in the IBO Plan through any broadcast communication methods including mass mailings, telemarketing, national or international advertising, radio, television, facsimile services, computer communication networks including the Internet, or any other means by which personal contact with a prospect is not present. However, IBOs may use digital media or maintain an Internet Web site for use with prospects, provided the contents of such media or Web site meets the requirements set out in the IBO Prospecting/Client Product Web Site Bulletin, and otherwise complies with the Rules of Conduct.
8.3.12. Must not criticize, degrade, de-emphasize or otherwise portray negatively the Client, Member or IBO status. IBOs shall refrain from pressuring or otherwise forcing a prospect into becoming a Client, Member or IBO. IBOs shall recognize the importance of Members and Clients in establishing a retail business. IBOs shall at all times, fairly present the categories of Clients, Members and IBOs and permit the prospect to freely
decide what level of involvement they desire.

8.4. No Exclusive Territories: No IBO shall represent that there are exclusive territories available.

8.5. No Obligation to Purchase: An IBO shall not require a prospective IBO to purchase anything but the literature portion of the Registration Pack in order to become an IBO.

9. Trade Names, Trademarks and Copyrights
The Corporation’s trade names, trademarks and service marks are important and valuable business assets. They help identify the source and reputation of the Corporation’s products and services worldwide and distinguish them from those of competitors.

Others must protect trademarks from misuse and infringement, or they can be lost. Each time a trademark or symbol is used improperly or is used by someone other than its owner, the value and importance of the trademark can be greatly diminished. Once a trademark is weakened or lost, it is impossible to regain its full value and importance. Therefore, the Corporation makes every effort to protect its trademarks, its corporate logotype, label designs and various product names so that others cannot use them.

The rules set forth below have been developed to maintain the integrity of the Corporation trade name and trademark and to ensure that the Corporation’s name and marks WILL be available exclusively for the Corporation’s business. In addition, the Corporation has implemented a corporate identity program that requires the correct and consistent use of its logotype, no matter where it appears. Therefore, no alterations to the approved logotype are allowed. Upon request, the Corporation will provide an example of the approved logotype and color specifications.

9.1. Permission Prior to Use Required: The Corporation will not allow use of its trade name (company name), trademarks (product names), designs or symbols by any person, including an IBO, without its prior permission. The Corporation will issue cease-and-desist orders to any persons using its trade name, trademarks, designs and symbols without its permission and will, if necessary, follow with appropriate legal action for failure to comply with a cease-and-desist order. If the Corporation did not do this, IBOs would soon find the market flooded with the Corporation’s products not produced by the Corporation or sold by its IBOs. Obviously, the IBOs would be greatly harmed by such unfair competition.

9.2. Office Sign: If an IBO desires to operate and maintain an office in which the Corporation name is displayed to the public on the exterior of the office or in the interior in such a way that it can be seen from the outside, the IBO must first obtain prior written approval from the Corporation for such use of the Corporation’s name by a written request to the Corporation, including a description of the proposed signs, their size, location of installation and method of installation.

To gain authorization for displaying the Corporation’s name, the following conditions must be met:

9.2.1. The office must be in a commercial building. Display of the name from offices in homes is not permitted.

9.2.2. The office must be used exclusively for the business; it cannot be a section or part of an office devoted to another type of business.

9.2.3. If the office has a show window, no product displays will appear in the window, nor will displays be set up inside so as to be readily visible through the window. If interior product displays are to be used, draperies or other methods of obscuring vision from the outside shall be used in the show windows.

9.2.4. The door leading to the office must bear the notice “Wholesale—IBOs Only.”

9.2.5. The building shall present, as much as possible, the appearance of a business office, not a retail store.

9.2.6. An IBO who operates an office shall not service any retail Clients from the office since to do so would convert the office into a store. If prospective retail Clients come into the office, they are to be informed that the of-
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fice is for wholesale only and an appointment made to call on them later at their homes.

9.2.7. The Corporation reserves the right at all times to withdraw permission to display the Corporation’s name if the standards stated are not met, if proper standards of neatness, good taste or ethical operation are not met, or for any reason prejudicial to the interests of IBOs or the Corporation, of which the Corporation shall determine in its sole discretion.

9.3. Vehicle Sign: No IBO may use the Corporation trade names, trademarks, logotype, designs or symbols on any vehicle except by express prior written consent from the Corporation.

9.3.1. The IBO owning the vehicle must comply with the Rules of Conduct, and the following:

9.3.1.1. The design, color, logotype and size MUST BE FOLLOWED EXACTLY as specified by the Corporation.

9.3.1.2. The words “Independent Business Owner” must appear on both front doors of the vehicle.

9.3.1.3. The vehicle must be kept neat and clean and in good repair.

9.3.1.4. The name and logotype must be kept in good repair and replaced whenever conditions require it.

9.3.1.5. The Corporation’s names and logotype must be painted over when the vehicle is sold or traded by the IBO.

9.3.2. The Corporation reserves the right to withdraw permission to use its name on any vehicle if the owner fails to comply with the specified Rules and requirements, permits his or her vehicle to fall into disrepair or violates the Rules of Conduct.

9.4. Telephone Listing under the Corporation in Telephone Directory: IBOs are permitted to list under the Corporation’s name in the telephone directory. Written permission to do so must first be requested in writing and secured from the Corporation. Telephone listings will be approved for one year; if a listing is to be renewed for the following year, a renewal approval must be obtained from the Business Conduct and Rules Department prior to re-ordering those listings.

9.5. Booth Displays: Booth displays of products and services must be approved individually prior to IBO participation at a business event. No sale of product or services is to take place at the function. IBOs may only display products at non-selling business events. They may not use booths for fund-raising, bazaars, Las Vegas nights, arts/craft shows, Fourth of July celebrations, flea markets, etc. These events or any similar events are aimed to promote on-the-spot sales of services and/or merchandise. Likewise, IBOs may not set up booths at a shopping mall or other typical selling venue. If however, the shopping mall is promoting a specific event which is limited in duration (i.e., Builders’ Expo, May 10-12), then such approval may be granted.

9.5.1. The following information must be received by the Corporation, in writing, 30 days prior to the event, to allow sufficient time to grant approval:

9.5.1.1. A written description of the type of event (including date of event).

9.5.1.2. Sketch of the proposed booth and proposed signs and/or posters.

9.5.1.3. Name of the specific product(s) to be displayed.

9.5.1.4. Provide a list of specific literature to be used at the booth or for handouts.

9.5.1.5. Any privately produced material for handouts or display must be sent with the booth request for approval.

9.5.1.6. Signed statement from the Platinum or above IBO accepting responsibility for booth activity and include a list of all names of IBOs staffing the booth.

While the Corporation can and may approve multiple IBO booths at a particular business function, the administrators of that function may limit participation.

9.6. Imprinted Checks: No IBO may use the Corporation’s logo, trade names or trademarks on imprinted checks. IBOs may only use the
Corporation’s name on imprinted checks in a way that accurately identifies the relationship between the Corporation and the IBO, such as:

John Jones
“Amway-affiliated Independent Business Owner”
Or
John Jones
“Amway-affiliated Products and Services Independent Business”
Or
John Jones
“Quixtar-affiliated Independent Business Owner”
Or
John Jones
“Quixtar-affiliated Products and Services Independent Business”

Under no circumstances may an IBO imply an agency or representative relationship on their checks such as “The Quixtar Corporation,” “The Amway Corporation Sales Company” or “The Quixtar Products and Services Company.”

9.7. Promotional Literature, Stationery, Premiums, Business Cards, etc.: No IBO may produce or procure from any source other than the Corporation any premium, giveaway item, stationery, business cards or promotional literature of any kind upon which the Corporation’s names or logotypes or any of its trade names or trademarks are imprinted without securing prior, written approval from the Corporation.

9.7.1. No IBO may print, or cause to be printed, any stationery which bears the Corporation’s logotypes or any of the Corporation’s trade names or trademarks without the prior, written consent of the Corporation. The precise copy to be used must be forwarded to the Corporation before the printing is begun. When approval is given by the Corporation, there shall be no deviation whatsoever from the approved copy.

9.7.2. No cloth Corporation logotypes shall be affixed to any sports uniforms, shirts or other garments.

9.8. IBO Advertising: IBOs wishing to use advertising media must submit their proposal in writing, along with a copy of the proposed advertisement, to the Corporation for approval. The Corporation’s approval is for one (1) year only. Except as provided in Rules 4.3.2 and 8.3.11, under no circumstances may IBOs advertise or promote the Corporation’s products and services or the Corporation’s business opportunity through the use of mass communication methods such as radio, television, facsimile services, computer communication networks, including the Internet, national or international advertising, or any other form of promotion where the person-to-person nature of the business is not present.

9.9. Copyrighted Materials: All the Corporation’s printed material are copyrighted and may not be reproduced in whole or in part by IBOs or other persons except by written permission from the Corporation.

9.9.1. The Corporation makes a claim to copyright for all its printed material in both the United States and Canada. This is done to prevent others, particularly competitors, from copying and duplicating the Corporation’s literature that has been developed and printed at great expense and to assure IBOs that the promotional material that they purchase and distribute to their Clients is unique, attractive and truthful. As in the case of trademarks and trade names, if the Corporation did not exercise every effort to protect its copyrighted materials, IBOs might soon find the market flooded with literature which was not produced by the Corporation and did not relate to products made and sold by the Corporation. Accordingly, no person, whether an IBO or otherwise, may reproduce any of the Corporation’s printed material, in whole or in part, without specific written permission from the Corporation. This includes text material, pictures, cartoons, diagrams, charts, maps, designs and other printed materials.
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9.9.2. All the Corporation’s printed materials relating to products has been carefully prepared to conform with all local, state and federal laws and regulations governing the labeling of products. (The word “labeling” covers not only the label on the product itself, but also any literature used to promote the sale of such product.) Even a slight deviation from the language on the label or promotional material may constitute a violation of one or more of the laws or regulations covering the product and its labeling and thus subject the person making such deviations to penalties imposed by law. Unfortunately such governmental action not only can adversely affect the particular offender, but also his or her fellow IBOs as well as the Corporation itself.

9.10. Penalties for Violators of Section 9:
Any IBO who violates Rule 9 may:

9.10.1. be required to remove improper signs, destroy improper literature, cancel improper advertising or change improperly listed telephone numbers. In the case of improper telephone listings, the Corporation may require the listed number to be changed to a new number with no calls to be referred from the listed number to the new number.

9.10.2. be denied the right to make any future use of the Corporation’s trademarks or trade names, including the right to place a telephone listing in the next issue of the telephone directory where an improper listing was previously employed.

9.10.3. be liable for money damages to the Corporation for unauthorized use of the names, trademarks or logotypes.

9.10.4. be subject to disciplinary action by the Corporation as outlined in Section 12.

10. Death and Inheritance
10.1. In order to ensure the continued operation of an IB after the death of its owner, the Corporation encourages IBOs to make appropriate arrangements prior to such event. An IB can be passed on to a deceased person’s heirs, or other beneficiary, provided the person inheriting the IB qualifies as an IBO. An IB may also be placed in a trust for the benefit of specifically named parties. In order to ensure your IB is conveyed according to your wishes, the Corporation recommends that you consult an estate-planning attorney. The Corporation’s Legal Division can provide your attorney with sample clauses to help achieve your goals. Regardless of the method of conveyance, careful planning and expert advice are the keys to a successful transition.

10.1.1. In cases where the IB is owned jointly, such as a husband and wife or partnership, the IB is automatically transferred to the surviving spouse or partner, unless they have previously arranged otherwise. In order for this to occur, the surviving spouse or partner must be named under the IB prior to the deceased’s death. The survivor need only forward a certified copy of the death certificate in order for the Corporation to change its records to reflect sole ownership.

10.1.2. In cases where an IB is disposed of in a will, the Corporation will transfer ownership of the IB according to its terms, provided the beneficiary qualifies as an IBO. Failure to qualify as an IBO within 60 days after the original IBO’s death may result in forfeiture of the IB to the next qualified up-line Sponsor. If the IB is left in a trust, the trustee should be given broad powers to operate the IB, or be given the power to appoint some other party to do so. The trustee should also be given the power to sell the business if it is in the best interest of the beneficiaries.

10.1.3. In cases where the deceased IBO has not provided for the transfer of the IB in his or her will, or has failed to make a will or trust, the IB will be transferred according to the state laws addressing such property transfers. Because such laws may result in an unfavorable distribution of property and or ineffective ownership, the Corporation encourages its IBOs to make appropriate ar-
rangements to transfer their property via a will or trust.

10.4. During any time that an IB may be temporarily without an owner, or a gap in ownership occurs due to probate or other court procedures, the upline Platinum or above shall be responsible for operating this IB. As payment for their services, the upline Platinum or above shall be entitled to a servicing fee. In lieu of an agreement to the contrary, this fee shall be a dollar amount equal to 15% of the IB’s net bonuses.

11. Dispute Resolution Procedures

11.1. Complying with the Rules of Conduct is essential for preserving the IBO business. In general, IBOs conduct their businesses in accordance with the Rules of Conduct. Infractions usually occur because the IBOs involved have not clearly understood or been aware of the applicable Rules. If an IBO has any questions about the proper interpretation or application of the Rules of Conduct in a particular case, he or she should call the Business Conduct and Rules Department for assistance and clarification.

11.1.1. When an IBO detects a Rules violation in another IBO’s method of operation, he or she should first discuss it with the alleged offender. Most violations are caused simply by a lack of information, and pointing out the appropriate Rule may be enough to end the matter. However, if the alleged violating IBO persists, or if the complainant believes the situation requires the assistance of the Corporation, the complainant should send a written complaint to the Business Conduct and Rules Department. This complaint should state in detail the Rule that has been violated and be supported by letters, statements or other materials that support the allegation of a Rules violation. The Corporation will examine the situation and take appropriate action if necessary.

11.1.2. If the violating IBO is dissatisfied with the action taken by the Corporation, he or she may invoke the Dispute Resolution procedures outlined below in order to resolve the matter.

11.1.3. IBOs are required to respond to inquiries and otherwise cooperate in a timely fashion with any investigation conducted by the Corporation. Failure to respond to inquiries or to otherwise cooperate in a timely fashion may result in the Corporation taking action against the IB.

11.1.4. To achieve full and voluntary compliance, the Corporation has established conciliation and enforcement procedures for resolving all questions and disputes in a non-confrontational setting, through education, persuasion, mediation, and conciliation. IBOs themselves participate in the conciliation process through the IBOAI Board Hearing Panel (“Hearing Panel”) and the IBOAI Board.

11.1.5. The IBOAI Board Hearing Panel was created to provide informal, amicable resolution and conciliation for disputes and concerns arising under the Rules of Conduct. A Hearing Committee Chairperson who is responsible for conducting the hearing sessions heads the Hearing Panel. The IBOAI Board and the Legal & Ethics Committee also play an integral role with the Rules of Conduct in situations which cannot be satisfactorily resolved at the Hearing level. Any IBO who feels he or she has been improperly treated with regard to a Rules violation issue may file a Request for Informal Conciliation Form (O-5995) with the Business Conduct and Rules Department.

11.2. Informal Conciliation: In most cases, concerns or disputes about apparent or alleged violations of the Rules will first be handled informally, as described above, once questions about the proper interpretation or application of the Rules have been clarified. IBOs with serious or persistent disputes that have not been previously resolved should contact the Business Conduct and Rules Department. That department, individually or with the assistance of the Hearing Panel Chairperson, will attempt to re-
solve an IBO’s concerns in conjunction with the affected IBO and the assistance of upline leadership.

11.3. Formal Conciliation: The primary goal of the more formal conciliation and enforcement procedures described below is to encourage and facilitate voluntary compliance with the Rules of Conduct by every IBO. The Hearing Panel Chairperson and company staff are available throughout each step of the more formal conciliation process to facilitate and promote the mutually satisfactory resolution of concerns and disputes.

11.3.1. Step 1: When voluntary compliance cannot be satisfactorily obtained in a particular case through informal conciliation procedures as described above, any IBO may file a Request for Hearing Panel Form (O-5996) with the Business Conduct and Rules Department or the Hearing Panel Chairperson. The Corporation may also independently and on its own initiative bring issues, disputes and concerns under the Rules of Conduct to the Hearing Panel Chairperson or a Hearing Panel for resolution. Upon receipt of a request, the matter is scheduled for the next Hearing Panel session, held in conjunction with the IBOAI Board meetings held at least three times a year. The parties are strongly encouraged to attend the hearing, but are not required to do so. Should the parties choose to attend, they are responsible for all their own costs associated with travel, food, accommodations, and other expenses.

The Hearing Panel is comprised of three members serving on the IBOAI Board. Members of the IBOAI Board who are serving on the Legal & Ethics Committee do not serve on a Hearing Panel. The IBOAI Board Executive Committee selects the Hearing Panel Chairperson and an alternate. The Chairperson serves a one-year term. The Executive Committee selects the Panel members and alternates who serve for the next Hearing Panel. The Hearing Panel Chairperson makes sure that any Panel members do not present a conflict of interest with respect to the matters over which it presides. Once selected, the Panel members are barred from discussing the dispute with anyone before the date of the hearing. Each Panel member and the parties involved receive a copy of the enforcement and conciliation file developed by the Corporation.

The Chairperson of the Panel is in power to control the conduct of the hearing and to administer oaths, or have the court reporter administer oaths, to any witnesses. A transcript is made of each hearing. At the hearing, each party may present any information it desires, be it individual testimony or documentary evidence. The formal rules of evidence do not apply. However, the Panel may refuse to permit lengthy discussions or introductory material that it deems irrelevant or unnecessary to the resolution.

The Hearing Panel’s primary goal is to mediate or conciliate each dispute by determining the facts and issues and recommending to the Corporation any possible resolutions or remedy in accordance with the Rules of Conduct. When a voluntary resolution does not occur, the Hearing Panel, within approximately two weeks of receiving the transcripts, will issue to the parties and the Corporation a written statement of facts relating to the issues and a recommendation for resolution, including, if appropriate, the imposition of certain sanctions. The Hearing Panel’s recommendation must be consistent with the Rules of Conduct. Hearing Panel members are bound by the Rules of Conduct as adopted by the Corporation, and may not modify, alter, amend or ignore the current positions of the Rules of Conduct. In the event the Panel requests guidance on the interpretation of a Rule or Rules, a legal opinion or clarification may be obtained from the Corporation’s Legal Division.

11.3.2. Step 2: The IBOAI Board may, at its discretion, delegate any requested review to the Legal & Ethics Committee. The IBOAI Board, or its Legal & Ethics Committee,
shall examine the entire file presented along with additional written argument or evidence submitted by the parties. Within one week of its review in consideration of the record, the IBOAI Board will issue to all parties and the Corporation its recommendation for resolving the dispute. The recommendation must be consistent with the Rules of Conduct. The IBOAI Board may not amend, alter, modify or ignore the clear provisions of the Rules of Conduct. In the event the Board questions the interpretation or application of a particular Rule or Rules in the independent case, it may request the opinion or clarification from the Legal Division.

11.3.3. Step 3: Upon receipt of the Hearing Panel or IBOAI Board recommendations, the Corporation shall independently review the recommended resolutions, as well as the existing record, including full investigative conciliation file developed by the Hearing Panel Chairperson. The Corporation reserves the right at all times to conduct an independent or additional investigation if it believes the circumstances of a particular case so require.

After consideration of the entire file and completion of any independent investigation, the Corporation will issue a final decision and may accept, reverse, or modify either the Hearing Panel’s recommendation or the IBOAI Board’s recommendation as appropriate. Only the Corporation may impose or act upon any of the actions and/or sanctions recommended by the Hearing Panel or IBOAI Board.

11.4. Resolutions, Remedies and Sanctions:

Any resolutions, remedies and sanctions recommended by the Hearing Panel or the IBOAI Board should promote and further the goal of compliance and must be consistent with the IBO Plan and the Rules of Conduct. The Hearing Panel and/or the IBOAI Board may recommend to the Corporation any resolution, remedy or sanction designed to promote and secure such compliance including, but not limited to, some or all of the following:

11.4.1. A written admonishment or warning to an IBO, an IBO’s Personal Group, or part or all of an IBO’s Line of Sponsorship clarifying the meaning and application of a Rule and advising continued violation could result in more severe remedies or sanctions.

11.4.2. Censuring or retraining of an IBO, an IBO’s Personal Group, or part or all of an IBO’s Line of Sponsorship, with expenses of retraining charged to the IBO(s), as appropriate.

11.4.3. Suspending some or all of the rights of an IBO for a specified period of time, or until certain conditions have been satisfied. A general suspension shall prohibit IBOs from holding themselves out as IBOs and from engaging in any activity of an IBO with the exception that they may continue to pay bonus checks and supply product downline, purchase product for their personal consumption or to fulfill any regular standing Client orders or engage in the buy back of product.

11.4.4. Withdrawing or denying an award, trip or pin recognition for a specified period of time, or until certain conditions have been satisfied.

11.4.5. Withholding bonus monies.

11.4.6. Compensatory remedies, as appropriate, to compensate injured or aggrieved IBOs, or including, but not limited to, reimbursement for expenses, repayment of bonuses, buy back of products, etc.

11.4.7. Transferring an IBO, a leg, or entire group to the next IBO upline.

11.4.8. Terminating the registration of the IBO, with option to sell the IB within a specified period of time.

11.4.9. Terminating the IBO’s business.

11.5. Arbitration: IBOs shall give notice in writing of any claim or dispute arising out of or relating to their Independent Business or the Independent Business Ownership Plan or Rules of Conduct, to the other party or parties, specifying the basis for any claim and the amount claimed or relief sought. They must then try in good faith to resolve the dispute using the Dispute Resolution Procedures contained herein.
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In the event that the parties are unable to resolve their disputes within 90 days or after the above-outlined Conciliation Process is complete, whichever is later, the parties are required to submit any remaining claim(s) arising out of or relating to their Independent Business, the Independent Business Ownership Plan or the Rules of Conduct (including any claim against another IBO or any such IBO’s officers, directors, agents or employees or against the Corporation or any of its officers, directors, agents or employees) to binding arbitration in accordance with the Arbitration Rules as stated below. The Arbitration award shall be final and binding and judgment thereon may be entered by any court of competent jurisdiction. Demand for arbitration shall be made within two years after the issue has arisen, but in no event after the date when the initiation of legal proceedings would have been barred by the applicable statute of limitations. IBOs acknowledge that their application or ITC form evidences a translation involving interstate commerce. The United States Arbitration Act shall govern the interpretation, enforcement and proceedings pursuant to the arbitration proceedings.

If IBOs become involved in a claim or dispute under the Dispute Resolution Process of the Arbitration Rules, they will not disclose to any other person not directly involved in the conciliation or arbitration process (a) the substance of, or basis for, the claim; (b) the content of any testimony or other evidence presented at an arbitration hearing or obtained through discovery; or (c) the terms or amount of any arbitration award.

Arbitration Rules

11.5.1. Applicable Rules of Arbitration
The parties shall be deemed to have made these Rules a part of their Arbitration agreement whenever they have provided for Arbitration under the Corporation’s Arbitration Rules (“Rules”). If a party establishes that an adverse material inconsistency exists between an Arbitration agreement and these Rules, the Arbitrator shall apply these Rules; provided, however, that nothing in these Rules shall be construed in any way that limits the Corporation’s pre-existing rights to administer, modify or enforce the Independent Business Ownership Plan, the Rules of Conduct or any other Rule or contract relating to an Independent Business.

The Rules in effect on the date of the commencement of an Arbitration will apply to that Arbitration. These Rules shall be amended only by mutual agreement between the Corporation and the IBOAI Board.

11.5.2. Party-Agreed Procedures
The parties may mutually agree to modify any procedures contained herein provided the modification is consistent with applicable law. The parties will promptly notify the J.A.M.S/Endispute Case Administrator of any party-agreed procedures and will confirm these procedures in writing. The party-agreed procedures will be enforceable as if contained in these Rules. These Rules will control any matters not changed by the party-agreed procedures.

11.5.3. Conflict with Law and Severability
If any of these Rules, or part thereof, is discovered to be in conflict with a mandatory provision of applicable law, the provision of law will govern, and no other Rule will be affected. If any Rule, or part thereof, is found to be invalid by a court of competent jurisdiction, these Rules will be interpreted as though the invalid portion were not a part of these Rules.

11.5.4. Interpretation of Rules and Jurisdictional Challenges
Once appointed, the Arbitrator will resolve disputes about the interpretation and applicability of these Rules, including disputes relating to the duties of the Arbitrator and the conduct of the Arbitration Hearing. The resolution of the issue by the Arbitrator is final. Jurisdictional and arbitrability disputes, including disputes over the existence, validity,
interpretation or scope of the agreement under which Arbitration is sought, may be submitted to and ruled on by the Arbitrator, unless the relevant law requires that a court make such determinations. The Arbitrator has the authority to determine jurisdiction and arbitrability prior to conducting a full hearing on the merits.

Disputes arising before the appointment of the Arbitrator will be resolved by the Case Administrator, but only those disputes relating to jurisdiction and the location and conduct of the Hearing are subject to subsequent review by the Arbitrator. All other procedures shall be interpreted and applied by the Case Administrator.

The Arbitrator upon good cause shown, or at his/her own discretion only when necessary to facilitate the Arbitration, may extend any deadlines stated in these rules, except the time for rendering the Award.

11.5.5. Administrator of the Arbitration
When parties agree to arbitrate under the Arbitration Rules, they thereby authorize Endispute, Inc., d/b/a J.A.M.S/ Endispute, or its successor (hereinafter “Administrator”) to administer the Arbitration. The authority and duties of the Administrator are prescribed in these Rules, and may be carried out through such of the Administrator’s representatives as it may direct.

11.5.6. Initiation under an Arbitration Provision in a Contract
Arbitration under an arbitration provision in a contract shall be initiated in the following manner:

11.5.6.1. The initiating party (hereinafter “Claimant”) shall, within any time period specified in the contract(s), and after satisfying any condition precedent, such as a waiting period during which to pursue conciliation, mediation or some other form of voluntary resolution:
• File a written notice (hereinafter “Demand”) of its intention to arbitrate at the office of the Case Administrator, within the time limit established by the applicable statute of limitations, or the applicable arbitration agreement if not inconsistent with an applicable statute. Any dispute over such issues shall be referred to the Arbitrator.

Model demands and forms are available from the Administrator.
• The filing shall be made in triplicate, and each copy shall include the applicable arbitration agreement.
• The Demand shall set forth the names, addresses and telephone numbers of the parties; a brief statement of the nature of the dispute; the amount in controversy, if any; the remedy sought; and a preferred hearing location.
• Simultaneously the Claimant(s) shall mail a copy of the Demand to each other party (hereinafter “Respondent[s]”).
• Claimant(s) shall include with the Demand the applicable filing fee, made payable to Administrator unless the parties agree to a different pro-rata share of J.A.M.S/ Endispute’s fees and expenses.

11.5.6.2. The Case Administrator shall provide notice of the filing of any Demand to each respondent. The Case Administrator shall also provide notice of any Demand to the Corporation and to the IBOAI. Such notices shall be sent overnight mail, express delivery or any other means selected by the Case Administrator that will provide a verifiable receipt of delivery.

11.5.6.3. A respondent may file an answering statement in duplicate with the Case Administrator within twenty-one (21) calendar days after the date notice from the Case Administrator was mailed, in which event the respondent shall at the same time send a copy of the answering statement to the claimant.

11.5.6.4. If a counterclaim is asserted, it shall contain a statement setting forth the nature of the counterclaim, the amount involved, if any, and the remedy sought.
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A $300 filing fee must accompany the counterclaim and shall be forwarded to the Case Administrator with the answering statement.

11.5.6.5. If no answering statement is filed within the stated time, it will be treated as a denial of the claim. Failure to file an answering statement shall not operate to delay the arbitration.

11.5.6.6. All correspondence shall be sent to the Administrator at the following address:

J.A.M.S/Endispute
Attn: Arbitration Administrator
700 11th Street, NW
Washington, DC 20001

Additional questions shall be directed to the Arbitration Administrator:

1-800-448-1660

11.5.7. initiation under a Submission
Parties to any existing dispute may commence an arbitration under these rules by filing with the Case Administrator three copies of a written submission to arbitrate under these rules, signed by the parties. The submission shall contain a statement of the matter in dispute, the amount involved, if any, the remedy sought, and the hearing locale requested, if any, together with the appropriate filing fee as provided by the schedule.

11.5.8. Tolling the Statute of Limitations
During any time that a party is involved in a mediation or the Corporation Conciliation process, the applicable statute of limitations for filing a request for Arbitration shall be tolled.

11.5.9. Effective Date of Commencement
The Arbitration process is considered commenced when the Case Administrator confirms in writing that the above requirements for commencement have been met. The date of commencement of Arbitration is the date of the Case Administrator’s letter.

11.5.10. Right of Intervention
The Corporation and/or the IBOAI shall have the right to intervene as a party to any arbitration by forwarding such a request to the Case Administrator within fourteen (14) calendar days of receiving the complainant’s Demand. The Case Administrator shall provide notice of any such requests for intervention to all parties involved in the arbitration.

11.5.11. Changes of Claim
Before the appointment of the Arbitrator, if either party desires to offer a new or different claim or defense, such party must do so in writing by filing a written statement with the Case Administrator and simultaneously mailing a copy to the other party(s), who shall have fourteen (14) calendar days from the date of such mailing within which to file an Answer with the Case Administrator. After the appointment of the Arbitrator, a party may offer a new or different claim or defense only in the discretion of the Arbitrator.

11.5.12. Withdrawal from Arbitration
No party may terminate or withdraw from an arbitration after it commences except by written agreement of the parties. Agreed-upon withdrawals may be with or without prejudice.

11.5.13. Preliminary Conference
The Case Administrator will conduct a Preliminary Conference with the parties, by telephone, within seven (7) calendar days after the date of commencement of the Arbitration, to discuss Arbitrator selection, the location and scheduling of the Arbitration Hearing, and other procedural issues. If, for any reason, the conference does not take place within the time specified above, the Case Administrator will proceed with the Arbitrator selection process pursuant to Rule 11.5.17 as if the preliminary conference had, in fact, been held. At any subsequent time, the Case Administrator may convene, or any party may request, additional conferences to discuss administrative or procedural matters.

The Case Administrator will answer any
questions regarding these Rules and will discuss procedural matters such as the pleading or notice of claim sequence, Arbitrator selection, a schedule for discovery, if any, and the expectations of the parties as to the anticipated length of the Arbitration Hearing. The parties may agree to a date for the Hearing subject to Arbitrator availability. In the absence of agreement, the date of the Hearing will be set by the Arbitrator pursuant to Rule 11.5.26.

At the request of a party and in the absence of party agreement, the Case Administrator may make a determination regarding the location of the Hearing, subject to Arbitrator review. In determining the location of the Hearing, the Case Administrator will take into account such factors as the convenience of the parties and witnesses as well as the relative resources of the parties.

11.5.14. Roster of Neutrals
The Administrator shall establish and maintain a Roster of Neutrals and shall appoint Arbitrators from that Roster as provided in these rules. Neutrals appointed to this roster shall serve a three-year term. At the end of this term, the Corporation and the IBOAI Board, through the Administrator, shall vote to retain the Arbitrator for an additional three-year term. A unanimous vote shall be necessary to retain the Arbitrator for an additional three-year term.

11.5.15. Qualifications to Serve as Arbitrator
Arbitrators serving under these rules shall be experienced in dispute resolution and will have completed the training course for Arbitrators offered by the Administrator, and conducted by the Corporation and the IBOAI.

11.5.16. Impartiality of Arbitrators
Arbitrators serving under these rules shall have no personal or financial interest in the results of the proceedings in which they are appointed and shall have no relation to the underlying dispute or to the parties or their counsel that may create an appearance of bias.

The Roster of Neutrals will be established on a non-discriminatory basis, and the Administrator shall seek diversity by gender and ethnicity.

11.5.17. Selection and Appointment of Arbitrator
Immediately after it receives the Demand, the Case Administrator shall mail simultaneously to each party a letter containing an identical list of the names of at least five Arbitrators on the Roster who are currently available to serve as Arbitrators, and satisfy the impartiality requirement of Rule 11.5.16. The Case Administrator shall disclose the number of times, if any, when each such Arbitrator has arbitrated a dispute involving one of the parties, but shall not disclose the disposition of the matter.

The parties shall have fourteen (14) calendar days from the date of the letter in which to select from the list the name of a mutually acceptable Arbitrator to hear and determine their dispute. If the parties cannot agree upon a mutually acceptable Arbitrator, each party shall strike up to two names objected to, number the remaining names in order of preference, and return the list to the Case Administrator. If a party does not return the list within the time specified, all of the listed persons shall be deemed equally acceptable to that party.

The Case Administrator shall invite the acceptance of the Arbitrator, whom both parties have selected as mutually acceptable or, in the case of resort to the ranking procedure, the Arbitrator who has not been struck by either party and, if more than one neutral has not been struck, the one who received the highest rating in the order of preference that the parties have specified.

If this process does not yield an Arbitrator, J.A.M.S/Endispute will designate the Arbitrator.
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11.5.18. Standards of Disclosure by Arbitrator
Prior to accepting appointment, the prospective Arbitrator shall disclose to the Case Administrator all information that might be relevant to the standards of neutrality set forth in these Rules, including but not limited to service as a neutral in any past or pending case involving any of the parties, as well as any circumstance that may prevent a prompt hearing.

11.5.19. Disqualification of Arbitrator for Failure to Meet Standards of Experience and Neutrality
If, at any time after appointment of the Arbitrator any party believes the Arbitrator should be disqualified, that party shall so communicate to the Case Administrator and to the other parties. The decision of the Administrator on the subject of disqualification shall be binding on the parties.

11.5.20. Vacancies
If, for any reason, an Arbitrator is unable to perform the duties of the office, the Administrator may, on proof satisfactory to it, declare the office vacant. The vacancy shall be filled in accordance with Rule 11.5.17.

11.5.21. Applicable Law
Unless otherwise specified in the parties’ contract, the law of Michigan shall apply in all arbitrations under these Rules. The Arbitrator’s decision on applicable law shall be final and binding for purposes of the arbitration and enforcement of any award.

11.5.22. Discovery
The Arbitrator shall have the authority to order such discovery, by way of deposition, interrogatory, document production or otherwise, as the Arbitrator considers necessary to a full and fair exploration of the issues in dispute.

11.5.23. Pre-Hearing Submissions
The Arbitrator may require a pre-Hearing conference for the purposes of narrowing the focus of the Arbitration Hearing by stipulations of fact or joint statements of issues to be determined and of resolving any outstanding issues relating to the conduct of the Hearing. The pre-Hearing conference may be conducted by telephone.

At least seven (7) calendar days before the Arbitration Hearing, the parties will exchange a list of the witnesses they intend to call, including any experts, a short description of the anticipated testimony of each such witness, an estimate of the length of the witness’s direct testimony, and a list of exhibits. In addition, at least seven (7) calendar days before the Arbitration Hearing, the parties will exchange copies of all exhibits intended to be used at the Hearing to the extent that any such exhibit has not been previously exchanged. The parties should pre-mark exhibits and should attempt themselves to resolve any disputes regarding the admissibility of exhibits prior to the Hearing. The list of witnesses with the description and estimate of length of their testimony and the copies of all exhibits that the parties intend to use at the Hearing, in pre-marked form, should also be provided to J.A.M.S/Endispute for transmission to the Arbitrator, whether or not the parties have stipulated to the admissibility of all such exhibits.

The parties shall submit concise written statements of position not exceeding ten (10) pages in length. These statements should be submitted to the Arbitrator, and provided to the other parties, at least seven (7) calendar days before the Hearing date. Rebuttal statements may be permitted or required at the discretion of the Arbitrator.

11.5.24. Summary Disposition of a Claim or Issue
The Arbitrator may hear and determine a Motion for Summary Disposition of a particular claim or issue, either by agreement of all interested parties or at the request of one party, provided other interested parties have reasonable notice to respond to the request.

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The Case Administrator may obtain the agreement of the parties on a briefing schedule and record for the Motion. If no agreement is reached, the Arbitrator will set the briefing schedule and contents of the record. Ordinarily, only opening briefs (of no more than 20 double-spaced pages) and response briefs (of no more than 10 double-spaced pages) will be allowed, in a sequence to be determined. The briefs may be in the form of a letter. Ordinarily, oral argument will not be allowed, unless the Arbitrator so requires.

The Arbitrator will apply the same burdens as a court in the jurisdiction would apply under similar circumstances. With respect to substantive issues, the Arbitrator will apply the same standard in deciding the Motion as would be applicable to the Arbitration Award.

11.5.25. Location of the Arbitration
The parties may designate a location for the arbitration by mutual agreement. In the absence of such agreement, the Case Administrator or the Arbitrator may select a location for the arbitration based on fairness to the parties or efficiency. Any party may request a specific hearing location by notifying the Case Administrator in writing and simultaneously mailing a copy of the request to all other parties. Unless all parties agree on a location, the Arbitrator shall have the power to determine the location and its decision shall be final and binding. All costs relating to the rental of any facilities shall be divided equally among the parties and will be billed upon scheduling. If the hearing is rescheduled or canceled, any additional fees or refunds will be assessed equally among the parties.

11.5.26. Date and Time of Hearing
The Arbitrator shall have the authority to set the date and time of the hearing in consultation with the parties that have appeared. Any party that fails to participate in the process shall be served with notice at least thirty (30) calendar days prior to the scheduled date.

11.5.27. Representation
Any party may be represented by counsel or by any other person whom the party designates. For parties without representation, the Case Administrator will, upon request, provide reference to institutions that might offer assistance. A party who intends to be represented by counsel at the Arbitration Hearing shall notify the other party and the Case Administrator of the name and address of the Representative at least three (3) days prior to the date set for the Hearing or conference at which that person is first to appear. If a Representative files a Demand or an Answer, the obligation to give notice of representative status is deemed satisfied.

11.5.28. Stenographic Record
Any party desiring a stenographic record shall make arrangements directly with a stenographer and shall notify the other parties of these arrangements in advance of the hearing. The requesting party or parties shall pay the cost of the record. If the transcript is agreed by the parties to be, or determined by the Arbitrator to be, the official record of the proceeding, it must be made available to the Arbitrator and to the other parties for inspection, at a date, time and place determined by the Arbitrator. Any stenographic record or other recording of a hearing shall be subject to the same degree of confidentiality as the hearing itself.

11.5.29. Interpreters
Any party wishing an interpreter shall make all arrangements directly with the interpreter and shall assume the costs of the service.

11.5.30. Attendance at Hearings
The Arbitrator shall have the authority to exclude witnesses, other than a party, from the hearing during the testimony of any other witness. The Arbitrator also shall have the authority to decide whether any person who is not a witness may attend the hearing.
The parties shall bear the same burdens of proof and burdens of producing evidence as would apply if their claims and counterclaims had been brought in court.

Witnesses for each party shall submit to direct and cross examination as approved by the Arbitrator.

With the exception of the rules regarding the allocation of the burdens of proof and going forward with the evidence, the Arbitrator has the authority to set the rules for the conduct of the proceedings and shall exercise that authority to afford a full and equal opportunity to all parties to present any evidence that the Arbitrator deems material and relevant to the resolution of the dispute.

Documentary and other forms of physical evidence, when offered by either party, may be received in evidence by the Arbitrator.

The names and addresses of all witnesses and a description of the exhibits in the order received shall be made a part of the record.

There shall be no ex parte communication with the Arbitrator, unless the parties and the Arbitrator agree to the contrary in advance of the communication.

11.5.35. Arbitration in the Absence of a Party or Representative

Unless the law provides to the contrary, the arbitration may proceed in the absence of any party or representative who, after due notice, fails to be present or fails to obtain a postponement. An award shall not be based solely on the default of a party. The Arbitrator shall require the party who is present to present such evidence as the Arbitrator may require for the making of the award. If the Case Administrator reasonably believes that only one party is going to attend the hearing, the Arbitrator may receive evidence necessary to render a verdict either by telephone conference or by affidavit.

11.5.36. Evidence

The parties may offer such evidence as
is relevant and material to the dispute and shall produce such evidence as the Arbitrator deems necessary to an understanding and determination of the dispute. An Arbitrator or other person authorized by law to subpoena witnesses or documents may do so upon the request of any party or independently.

The Arbitrator shall be the judge of the relevance and materiality of the evidence offered, and conformity to legal rules of evidence shall not be necessary, except that the Arbitrator will apply the law relating to privileges and work product. All evidence shall be taken in the presence of the Arbitrator and all of the parties, except where any of the parties is absent, in default or has waived the right to be present.

11.5.37. Evidence by Affidavit or Declaration and Post-Hearing Filing of Documents or Other Evidence
The Arbitrator may receive and consider the evidence of witnesses by affidavit, but shall give it only such weight as the Arbitrator deems it entitled to after consideration of any objection made to its admission.

If the parties agree or the Arbitrator directs that documents or other evidence may be submitted to the Arbitrator after the hearing, the documents or other evidence shall be filed with the Case Administrator for transmission to the Arbitrator, unless the parties agree to a different method of distribution. All parties shall be afforded an opportunity to examine such documents or other evidence and to lodge appropriate objections, if any.

11.5.38. Inspection or Investigation
An Arbitrator finding it necessary to make an inspection or investigation in connection with the arbitration shall direct the Case Administrator to so advise the parties. The Arbitrator shall set the date and time, and the Case Administrator shall notify the parties. Any party who so desires may be present during the inspection or investigation.

In the event that one or all parties are not present during the inspection or investigation, the Arbitrator shall make an oral or written report to the parties and afford them an opportunity to comment.

11.5.39. Interim Measures
At the request of any party, the Arbitrator may take whatever interim measures he or she deems necessary with respect to the dispute, including measures for the conservation of property.

Such interim measures may be taken in the form of an interim award, and the Arbitrator may require security for the costs of such measures.

11.5.40. Closing of Hearing
The Arbitrator shall specifically inquire of all parties whether they have any further proofs to offer or witnesses to be heard. Upon receiving negative replies or if satisfied that the record is complete, the Arbitrator shall declare the hearing closed.

If briefs are to be filed, the hearing shall be declared closed as of the final date set by the Arbitrator for the receipt of briefs. If documents are to be filed as provided in Rule 11.5.37 and the date set for their receipt is later than that set for the receipt of briefs, the later date shall be the date of closing the hearing. The time limit within which the Arbitrator is required to make the award shall commence to run, in the absence of other agreements by the parties, upon closing of the hearing.

11.5.41. Reopening of Hearing
The hearing may be reopened by the Arbitrator upon the Arbitrator’s initiative, or upon application of a party for cause shown, at any time before the award is made. If reopening the hearing would prevent the making of the award within the specific time agreed on by the parties in the contract(s), out of which the controversy has arisen, the matter may not be reopened unless the parties agree on an extension of time. When no specific date is fixed in the
11.5.46. Time of Award
The award shall be made promptly by the Arbitrator and, unless otherwise agreed by the parties or specified by law, no later than thirty (30) calendar days from the date of closing of the hearing or, if oral hearings have been waived, from the date of the Case Administrator’s transmittal of the final statements and proofs to the Arbitrator.

11.5.47. Form of Award
The award shall be in writing and shall be signed by the Arbitrator. It shall be executed in the manner required by law. Upon the unanimous written request by all parties, submitted to the Case Administrator in advance of the hearing, the Arbitrator may, but is not required to, provide a summary of the reasons for the award.

11.5.48. Scope of Award
The Arbitrator may grant any remedy or relief that the Arbitrator deems just and equitable and that would have been available to the parties had the matter been heard in court. The Arbitrator shall, in the award, assess arbitration fees, costs, expenses, reasonable attorneys’ fees and compensation as provided in the applicable Fees/Costs Schedule, in favor of the prevailing party and, in the event any fees or costs are due the Administrator, in favor of the Administrator.

The Arbitrator shall award to a prevailing party reimbursement for that party’s reasonable attorney’s fees in whole or in part.

If the parties settle their dispute during the course of the arbitration, the Arbitrator may set forth the terms of the settlement in a consent award.

The parties shall accept as legal delivery of the award the placing of the award or a true copy thereof in the mail, addressed to a party or its representative at the last known address, personal service of the award, or the filing of the award in any manner that may be required by law.
The Award shall have no precedential value with regard to similar issues in future cases.

11.5.49. Final and Binding Award; Consent to Entry of Judgment

The Arbitrator’s award shall be final and binding. Judicial review, if any, shall be limited, as provided by law. Parties to these procedures shall be deemed to have consented that judgment upon the arbitration award may be entered by any court of competent jurisdiction. Proceedings to enforce, confirm, modify or vacate an Award will be controlled by and conducted in conformity with the Federal Arbitration Act, 9 U.S.C. Sec 1 et. seq. or applicable state law.

11.5.50. Sanctions

The Arbitrator may award appropriate sanctions for failure of a party to comply with its obligations under any of these Rules. These sanctions may include, but are not limited to, assessment of costs, prohibition of certain evidence, or in the extreme cases, ruling on an issue submitted to arbitration adversely to the party who has failed to comply.

11.5.51. Release of Documents for Judicial Proceedings

The Case Administrator shall, upon the written request of a party, furnish to the party, at that party’s expense, certified copies of any papers in the Case Administrator’s case file that may be required in judicial proceedings relating to the arbitration.

11.5.52. Judicial Proceedings and Exclusion of Liability

No judicial proceeding by a party relating to the subject matter of the arbitration shall be deemed a waiver of the party’s right to arbitrate.

The parties will not call the Arbitrator, the Case Administrator, Director of Professional Services, Senior Judicial Officer or any other J.A.M.S/Endispute employee or agent as a witness or as an expert in any pending or subsequent litigation or other proceeding involving the parties and relating to the dispute that is the subject of the Arbitration. The Arbitrator, Case Administrator, Director of Professional Services, Senior Judicial Officer and other J.A.M.S/Endispute employees and agents are also disqualified as witnesses or experts.

The parties will defend the Arbitrator, Case Administrator, Director of Professional Services, Senior Judicial Officer and J.A.M.S/Endispute from any subpoenas from outside parties arising from the Arbitration. Neither the Arbitrator, Case Administrator, Director of Professional Services, Senior Judicial Officer nor J.A.M.S/Endispute is a necessary party in any litigation or other proceeding relating to the Arbitration or the subject matter of the Arbitration, and neither the Arbitrator, Case Administrator, Director of Professional Services, Senior Judicial Officer nor J.A.M.S/Endispute, including its employees or agents, will be liable to any party for any act or omission in connection with any Arbitration conducted under these Rules.

11.5.53. Indigent Participants

A party to a dispute who desires to proceed in Arbitration but is incapable of prepaying the fees or costs, shall file an affidavit in the form attached as Exhibit A (see page F-61) with the Case Administrator, showing their inability to pay fees and costs or to give security therefore. The Case Administrator shall forward such affidavit to the Arbitration Indigency Fund who shall decide whether to grant such request. If the Fund Administrator grants such request, the fees and costs shall be advanced on behalf of the indigent participant by the Fund Administrator. If the Fund Administrator denies such request, the requesting party shall be entitled to appeal such decision to the Arbitrator who retains final authority to approve or deny the request. The indigent participant shall at all times be responsible to repay any fees and costs advanced on their behalf, and
11.5.56. Hearing Fees
The professional fees for the first Hearing day shall be $2,900. This shall entitle the parties to a full eight-hour day of Hearing time, and up to three hours of pre-Hearing or post-Hearing services by the Arbitrator which includes time for the preparation of the award. Additional Hearing time will be billed in half-day increments (4 hours of Hearing time and up to 1.5 hours of pre- or post-Hearing time) at the rate of $1,450 per increment. Additional pre-Hearing or post-Hearing services will be billed in 1-hour increments at the rate of $300 per hour. Any variation in this fee schedule must be arranged with the Case Administrator and agreed to by the parties.

11.5.57. Hearing Room Rental
The Hearing fees described above do not cover the rental of Hearing rooms for Arbitrations that are conducted at non-J.A.M.S/Endispute offices or when a fee is assessed to J.A.M.S/Endispute. All costs relating to the rental of any facilities shall be divided equally among the parties and will be billed upon scheduling. If the Hearing is rescheduled or canceled, any additional fees or refunds will be assessed equally among the parties.

11.5.58. Expenses
Unless otherwise agreed by the parties, the expenses of witnesses shall be borne by the party calling such witnesses. All expenses of the arbitration, including required travel and accommodations, travel time when applicable, and other expenses of the Arbitrator, Case Administrator representatives, and any costs relating to witnesses or any other proof produced at the direction of the Arbitrator, shall be borne as directed by the Arbitrator in the award.

11.5.59. Deposits
The Case Administrator shall estimate the fees required for the Arbitration. As directed by the Case Administrator, the parties shall deposit such sums of money necessary to
cover the expenses of the Arbitration. The Case Administrator shall also have the authority to require a deposit for any necessary additional expenses related to the Arbitration. The Case Administrator shall apply the deposits as directed and shall return any unexpended balance to the appropriate party in a timely fashion.

**11.5.60. Suspension for Nonpayment**
If the professional or administrative fees have not been paid in full, the Case Administrator may so inform the parties in order that one of them may advance the required payment. If such payments are not made, the Arbitrator may order the suspension or termination of the proceedings. If no Arbitrator has yet been appointed, the Administrator may suspend the proceedings.

**11.5.61. Postponement/Cancellation Fees**
A fee of $300 is payable by a party causing a postponement of any hearing scheduled before an Arbitrator. If the request is made jointly by the parties, this fee will be divided equally among the parties. No fee shall be due if the Arbitrator postpones the Hearing on his or her own initiative.

**11.5.62. Refunds for Cancellation and/or Postponement**
The filing and case management fees are non-refundable. Any professional fees deposited by the parties shall be fully refunded provided a proper notice of cancellation or postponement is received by the Case Administrator at least fourteen (14) calendar days prior to the first day of the scheduled Hearing. If a notice of cancellation or postponement is received within fourteen (14) calendar days of the first day of a scheduled Hearing, a refund of Hearing fees shall be made only if the Arbitrator is able to schedule another Hearing for that date. Any other fees or expenses shall be refunded in accordance with the terms under which they were incurred.

**11.6. Enforcement of the Rules**
The Corporation reserves the sole right to enforce the Rules of Conduct, and to sanction violating IBOs as necessary in order to preserve the goals and purpose of the IBO Plan. The Business Conduct and Rules Department shall have the authority to enforce the Rules of Conduct. In order to promote compliance with these Rules, the Business Conduct and Rules Department shall have the right to impose various sanctions including, but not limited to, those listed below.

**12.1. A written admonishment or warning to an IBO, an IBO’s Personal Group, or part or all of an IBO’s Line of Sponsorship clarifying the meaning and application of a Rule and advising continued violation could result in more severe remedies or sanctions.**

**12.2. Censuring or retraining of an IBO, an IBO’s Personal Group, or part or all of an IBO’s Line of Sponsorship, with expenses of retraining charged to the IBO(s), as appropriate.**

**12.3. Suspending some or all of the rights of an IBO for specified periods of time, or until certain conditions have been satisfied. A general suspension shall prohibit IBOs from holding themselves out as IBOs and from engaging in any activity of an IBO with the exception that they may continue to pay bonus checks and supply product downline, purchase product for their personal consumption or to fulfill any regular standing Member or Client orders, or engage in the buy back of product.**

**12.4. Withdrawing or denying an award, trip or pin recognition for a specified period of time, or until certain conditions have been satisfied.**

**12.5. Withholding bonus monies.**

**12.6. Compensatory remedies, as appropriate, to compensate injured or aggrieved IBOs, or including, but not limited to, reimbursement for expenses, repayment of bonuses, buy back of products, etc.**

**12.7. Transferring an IBO, a leg, or entire group to the next IBO upline.**

**12.8. Terminating the IBO’s business, with option to sell within a specified period of time.**
The Rules of Conduct

12.9. Terminating the IBO’s business.
12.10. Any sanctions imposed by the Corporation shall remain confidential between the sanctioned party and the Corporation, except to the extent that the sanctions involve a third party’s business.
12.11. In the event that an IBO feels that the Corporation through its sanctions, has improperly deprived him or her of a substantial and material property right, such IBO shall have the right to appeal such decision in accordance with the Conciliation and Enforcement procedures outlined herein.
2. Have you received within the past twelve
months an income from a business, pro-
fession or other form of self-employment,
or in the form of any rent payments, in-
terest, dividends or other source?
a) If the answer is yes, describe each source of
income, and state the amount received from
each during the past twelve months.

3. Do you own any cash, checking or savings
accounts?
a) If the answer is yes, state the total value of
the items owned.

4. Do you own any real estate, stocks, bonds,
notes, automobiles or other valuable
property?
a) If the answer is yes, describe the property
and state its approximate value.

5. List the persons who are dependent upon
you for support and state your relation-
ship to those persons.

I understand that a false statement or answer to
any of the questions in this affidavit will sub-
ject me to penalties for perjury.

____________________________
Affiant’s Signature
____________________________
Date

Subscribed AND SWORN TO me this
______day of ____________, (year)______.

Let the applicant proceed without prepay-
ment of costs or fees or the necessity of giving
security therefore.

____________________________
Fund Administrator

____________________________
Arbitrator
**The Rules of Conduct**

**The Right to Differ**
One of the great advantages of the Corporation’s business is the high degree of help we give one another. You see the caring and encouragement in many ways: The special one-on-one relationship between an upline and a downline. The exchange of business information and inspiration at an IBO meeting. Even the structure of the Independent Business Ownership Plan rewards achievement when IBOs help each other build the business.

Our successful past and the key to a growing future is reaching out and accepting others. Inviting all people into this exciting world of opportunity, no matter their particular background. Including – not excluding – them.

From the beginning, the Corporation has prided itself on being an equal opportunity business. It’s an opportunity open to people from all walks of life – people with varying religious convictions, political affiliations, nationalities, ethnic backgrounds and racial origins.

IBOs come together as business associates, agreeing on the principles of free enterprise. They work together to achieve financial independence by following the Independent Business Ownership Plan and observing the Code of Ethics and Rules of Conduct. On all other issues not specifically affecting the operation of their businesses, IBOs have the right to hold differing viewpoints, without their differences jeopardizing their status as IBOs or their business relationships with other IBOs.

If the business platform becomes a pulpit for preaching religious doctrines or political causes, people with differing beliefs who attend what they expect to be a business meeting are turned away – or turned off – from becoming an IBO. In essence, they are discouraged from participating in a business opportunity.

The Corporation has been a great success because it is not restrictive. Because it is accessible to everyone. Because it can be tailored to meet the needs of the individual.

The right to choose and the right to differ. Personal choice and personal freedom.

**The “Buy-Back” Rule: A Closer Look**
The “Buy-Back” Rule in the Rules of Conduct (Rule 5.3.6) protects IBOs against inventory loading and assures that no one who elects to become an IBO, but who later decides to relinquish his or her business, will be left with unwanted products, literature or sales aids.

**Q.** How much refund does a departing IBO receive under the “Buy-Back” Rule?

**A.** The departing IBO is entitled to whatever refund is agreed upon between the departing IBO and his or her sponsor. Normally he will receive the net cost of the salable products to be returned. Net cost is the IBO cost of the product less any Performance Bonuses previously received on that product. In addition, the repurchasing IBO has the right to deduct up to 10% of BV as a service or handling charge.

**Q.** What happens if a sponsoring IBO refuses or fails to buy back salable products from an IBO who is leaving the business?

**A.** The responsibility to repurchase the products passes up the Line of Sponsorship from IBO to IBO up to the first Platinum IBO. If the Platinum IBO fails or refuses to buy back the products, the Corporation will buy them back and will then charge the account of the Platinum IBO accordingly. Moreover, any IBOs above the departing IBO in the Line of Sponsorship who fail to honor the buy-back request may lose their right to register any IBOs who were registered by the departing IBO. Sponsorship of those IBOs previously sponsored by the departing IBO may pass up the Line of Sponsorship to the IBO who assumes the responsibility for buying back the departing IBO’s salable inventory.

**Note:** To return literature for credit or refund, the literature must be sent back in its original wrapping, unopened and unused.
Q. How does the “Buy-Back” Rule differ from the Satisfaction Guarantee?

A. The Corporation’s Customer Satisfaction Guarantee covers replacement or refund for products which retail customers find unsatisfactory. (Note: A “customer” is the end-user or consumer of a product. Thus, when IBOs purchase products for their own use, they are considered customers in such instances.) The “Buy-Back” Rule, on the other hand, applies only to IBOs and covers situations in which an IBO (1) decides to leave the business, (2) has marketable (salable) products which he or she wishes to return and (3) is willing to pay the cost of returning such products to his or her sponsor or Platinum IBO.
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Sponsoring Outside the U.S.

As a Quixtar IBO, you have the opportunity to expand your business in various international markets where Amway has affiliates. For information, contact International Inquiries at Qinternational.inquiries@quixtar.com.