

NEW MEMBER/CLIENT VOLUME RULE PROCESS BEGINNING IN APRIL AND MAY 2002!

Quixtar has been working closely with your IBOA International Board on the Member/Client Volume Rule (formerly the 10 Customer Rule, renamed the Retail Sales Rule). This important rule was amended and became effective in September 2001 to reflect recent changes in terminology. Now new systems' enhancements have been developed to further assist Platinums with monitoring their downline's compliance with the rule. The amended Member/Client Volume Rule, as published in The Loop™ Newsletter, is as follows:

4.22 Member/Client Volume. In order to obtain the right to earn a Performance bonus on downline volume during any given month, an IBO must: (a) make not less than one sale to each of 10 different retail customers (e.g., Members or Clients); or (b) have at least 50 PV of sales to any number of retail customers; or (c) have \$100 at Member/Client Volume Cost. Member/Client Volume Rule Cost shall mean the published IBO cost for all items or any orders sold to a Member or Client, or the actual price paid to Partner Stores by Members or Clients. If applicable, Partner Store Member/Client Volume Rule Cost is applied in the month when the Corporation credits Partner Store Volume to an IBO's business.

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

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

What ISN'T new?

- This very important rule has always been in effect (formerly the 10 Customer Rule, renamed the Retail Sales Rule). The fact that we have this rule is one of the key reasons that the FTC, in 1979, found the Plan to be legal.
- Qualified Platinums and above are exempt from the rule because it is assumed by the size and nature of their business that they meet the standards without having to provide proof.
- Exception Platinums are not exempt from the rule. If Exception Platinums do not meet the requirements, the bonus generated on their downline volume will be forwarded to the next upline Platinum.
- IBOs will continue to truthfully report their sales, and the Platinums are still ultimately responsible for enforcing the rule with their downline.

What IS new?

- Beginning with APRIL 2002 business, PAID IN MAY, Quixtar will capture the data on orders made by/for Members and Clients and report that data monthly to each IBO and Platinum. APRIL will be a TEST MONTH to allow IBOs to become comfortable with the reporting.
- If a sponsoring IBO does not appear to have satisfied the rule's requirements each month based on the information captured and reported, then Quixtar will withhold any bonus earned on downline volume and send it to the IBO's upline Platinum for handling.
- Bonus withholding will begin with MAY business, paid in June. Although the information capturing and reporting will be available also in Canada, the Dominican Republic, Haiti and in the U.S. authorized Miscellaneous Atlantic and Caribbean Islands, bonus withholding will NOT occur in these markets (except that bonuses WILL be withheld in the U.S. Virgin Islands, Puerto Rico and Guam). Platinums in these markets remain responsible for enforcement.

HOW WILL THIS BE DONE?

AUTOMATIC TRACKING OF MEMBER/CLIENT ORDERS

- Quixtar will capture or track all Member/Client orders (which includes DITTO DELIVERY™ orders and orders placed with Services Partners) and Customer Pay orders for each IBO. Examples of orders we will track:
 - When a Member or Client orders directly through the Quixtar® Web site, they would enter their number. The volume is linked to the IBO.
 - When the Member or Client calls telephone ordering and places an order, they would provide their Member or Client number, which is linked to the IBO.
 - When an IBO is ordering for a Member, Client or other customer (either through the site, telephone ordering or Touchtone), the IBO would need to confirm that this is a "Customer Pay" order, or enter the Member/Client number in the shipping information. This too will link the volume to the IBO.

SELF-REPORTING

- In addition to the automatic tracking above, each IBO needs to self-report any sales not captured automatically. Examples would be:
 - When an IBO sells to a Member, Client or other customer and the order is not placed separately.
 - When an IBO sells a product in their inventory to a Member, Client or other customer.
 - When an IBO places an order that includes their own personal products AND products for Members, Clients and other customers, the IBO would need to self-report the Member, Client or customer portion.

How to Self Report:

- On the Quixtar Web site, go to Office > PV/BV > Member/Client Volume Reporting. (see example 1)
All IBOs report their own Member/Client sales that have not been captured by Quixtar.
- Or call 519-685-7785 and follow the voice prompts.
- Deadlines for self-reporting will be published in What's New and The Loop Newsletter. The dates will be the same as PV/BV transfer dates.

INFORMATION ON QUIXTAR SITE AND MONTHLY PAPERWORK

- All IBOs will be able to view their current month Member/Client Volume totals to date. Go to Quixtar > Office > PV/BV Inquiry > Click on Apply. On the right hand side, near the top, current Member/Client numbers are reflected. (see example page 2)
- Platinums can view the same information for any IBOs within their group. Go to Quixtar > Office > PV/BV Inquiry > Click on Apply. This "flags" all IBOs who do not meet the Member/Client Volume Requirements. If you want to see detail, click on their name. (see example page 2)
- The Platinum Bonus Information Summary (see examples 3, 4, 5) will indicate which IBOs have or have not met the criteria. One of the 3 criteria must be met monthly (10 Member/Clients OR 50 PV from Member/Client OR \$100 in sales to Member/Clients).
- Each IBO will receive information in their monthly bonus paperwork (see examples page 6, 7) that indicates whether or not they have complied and to contact their Platinum with any questions. This applies to Direct Fulfillment and Direct Pay only.
- When the data indicates that an IBO has met the criteria, they receive their bonus on downline volume as normal.
- When the data indicates that an IBO has not met the criteria, the bonus generated by downline volume is withheld and paid to their Platinum for handling. The IBO would receive bonus on their personal volume only. This applies to Direct Fulfillment and Direct Pay organizations only. With Direct Order and Standard Fulfillment, ALL bonuses are sent to the Platinum as usual.

- Platinums are responsible for contacting their IBOs to resolve whether or not the IBO indeed satisfied the requirements. If so, the Platinum can pay the bonus amount that rolled up to them. If not, then the Platinum will need to review their paperwork to determine the appropriate IBO in the line of sponsorship that meets the criteria and who earned the monies.
- Although the information capturing and reporting will be available also in Canada, the Dominican Republic, Haiti and in the U.S. authorized Miscellaneous Atlantic and Caribbean Islands, bonus withholding will NOT occur in these markets (except that bonuses WILL be withheld in the U.S. Virgin Islands, Puerto Rico and Guam). Platinums in these markets remain responsible for enforcement.
- Previously, some Platinums have requested “flagging” of certain IBOs to prevent bonuses from being paid directly. Oftentimes, this is a result of violations of specific Rules of Conduct or Code of Ethics. The “flagging” alternative will no longer be available to Platinums beginning in May business. We will communicate this to the affected Platinums.

COMMUNICATION

- March – All Platinums and above will receive all details through email.
- April – All IBOs will be informed through What’s New on the Quixtar Web site and also in the The Loop Newsletter.

AS YOU WELL KNOW, COMMUNICATION FROM YOU IS THE KEY!

If you have any questions, please contact Business Relations:
English (519) 685-7766
French (519) 685-7799

Sincerely,

Jeff Johnson
Business Relations Manager
Quixtar Canada Corporation