

Business Reference Guide

Your complete how-to guide includes rules, regulations, and tips on business management, plus the info you need on awards and bonuses.

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HOW THE PLAN WORKS/COMPENSATION

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HOW YOU EARN INCOME

The Independent Business Ownership Plan enables you to earn income based on merchandising an array of high-quality products and services. You may earn bonuses based on the overall sales volume generated through the customers you serve and through the business organization you develop by registering others as IBOs. Simply stated, the Independent Business Ownership Plan rewards you for selling products and services, and for registering others as IBOs who do the same.

The Independent Business Ownership Plan rewards several levels of achievement. Each IBO is an independent businessperson, whose individual success depends on his or her own selling efforts and the selling efforts of those he or she registers. Gross income from your independent business is based on a combination of what is referred to as immediate income – retail markup on sales to customers – plus any Performance Bonus earned on your overall sales volume.

Immediate Income

Your immediate income is the difference between the cost at which you purchase product inventory from Quixtar or your sponsoring IBO, and the price at which you sell the products to your own customers. This income is realized immediately upon each sale to a customer. For your convenience, Quixtar publishes suggested retail prices for all products. However, these are suggested prices only, and you are not obligated to charge these prices. Each IBO is entitled to determine independently the prices at which they sell products to other IBOs, Members, Clients, or other consumers.

Performance Bonus

Additional income may be earned through the monthly Performance Bonus. The Performance Bonus is calculated from two sets of numbers – Point Value (PV) and Business Volume (BV) – that are assigned to each available product or service.

PV is a unit amount (like a scorekeeper) assigned to each product; the total of the PV on the product units you move each month determines your Performance Bonus bracket. Higher levels of PV can mean greater Performance Bonus percentages for you (see Performance Bonus Schedule).

BV is a dollar figure given each product; it is totaled each month from the products you move and is the amount used to calculate your gross Performance Bonus using the percent from your PV bracket.

Your PV/BV, as it is generally referred to, accumulates not only from sales you make to your downline IBOs, Clients, Members, and other customers, but also from purchases made for your own personal use. Your Performance Bonus calculation will include the PV/BV you generate, as well as the PV/BV generated by those IBOs whom you have registered. Your Performance Bonus amount is determined by the schedule below, less any bonuses earned by the IBOs in your group. Note that IBOs who register others generally have higher average volume than those who do not register others.

Performance Bonus Schedule

<i>If Your Total Monthly PV is:</i>	<i>Your Performance Bonus is :</i>
7,500 or more	25% of your BV
6,000	23%
4,000	21%
2,500	18%
1,500	15%
1,000	12%
600	9%
300	6%
100	3%

AWARDS AND QUALIFICATIONS

To recognize and reward your achievements, Quixtar offers an extensive award and bonus system. The Corporation awards pins and plaques for business-building achievements and provides additional recognition in written publications and elsewhere. Quixtar continually updates the bonuses and awards to encourage growth and performance. Refer to current materials or contact your line of sponsorship with questions.

To be eligible for these awards and bonuses, you must be in compliance at all times with the Independent Business Ownership Plan and the IBO Rules of Conduct. All achievement awards and bonuses are subject to review and approval by Quixtar prior to being granted.

The following pages focus on each of the IBO awards and their qualification requirements. The eligible bonuses referred to on these pages are explained in more detail in the "Monthly Bonuses" and "Annual Bonuses" sections that follow.

25% Sponsor

You can qualify as a 25% Sponsor if you:

Register one qualifying North American Silver Producer or Platinum.

You are eligible to receive:

- A 25% Performance Bonus.

Silver Producer

You can qualify as a Silver Producer if you achieve any of the following for one month:

1. Generate Award Volume of at least 7,500 PV, or
2. Register or foster-register one North American group qualified at the 25% Performance Bonus level, and generate Award Volume of at least 2,500 PV in the same month, or
3. Register or foster-register at least 2 North American groups qualified at the 25% Performance Bonus level in the same month.

Internationally registered groups may not be used for Silver Producer qualification.

You are eligible to receive:

- A 25% Performance Bonus.
- A Silver Producer pin.
- Other recognition, such as acknowledgment in an IBO publication.

Gold Producer

You can qualify as a Gold Producer if you:

1. Attain any 3 qualified Silver Producer/Platinum months within the fiscal year, or
2. If you are on track as a new Gold Producer and start your qualification in July or August, you may overlap into the next fiscal year, provided that your 3 qualifying months are consecutive, with no break in qualification from your original Silver Producer month. (This overlap rule applies to first-time qualifiers only.)

Internationally registered groups may not be used for Gold Producer qualification.

You are eligible to receive:

- A 25% Performance Bonus.
- A Gold Producer pin.
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Platinum

Becoming a Platinum is an important milestone. The Platinum is viewed as the leader of his or her own group. As a Platinum, you train, supply, and motivate your group, teaching them to assume the leadership responsibilities in their own groups. 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 can qualify as a Platinum if you:

Achieve any of the three criteria below for any 6 months within the fiscal year. For your first Platinum qualification, at least 3 of the 6 months must be consecutive. However, if your first qualification month is April or later, you may overlap into the next fiscal year, provided that your 6 qualifying months are consecutive, with no break in qualification from your original Silver Producer month. (This overlap rule applies to first-time qualifiers only.)

1. Generate Award Volume of at least 7,500 PV in each of the 6 months, or
2. Register or foster-register one North American group that qualifies at the 25% Performance Bonus level, and you generate Award Volume of at least 2,500 PV in the same 6 months, or

3. Register or foster-register at least 2 North American groups, each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year.

Internationally registered groups may not be used for Platinum qualification.

To requalify for the title and privileges of a Platinum, each fiscal year (Sept. 1-Aug. 31) you must have at least 6 qualified months within the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Platinum pin.
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.
- An invitation to the two-day, expenses-paid New Platinum Seminar at Quixtar Headquarters to meet the management team, tour the facilities, and receive information to assist your business-building efforts.

Founders Platinum

You can qualify as a Founders Platinum if you:
Attain Platinum qualification for all 12 months of the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Platinum pin.
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Ruby

You can qualify as a Ruby if you:
Generate Ruby Volume of at least 15,000 PV in a single month.

You are eligible to receive:

- A 25% Performance Bonus.
- A Ruby pin and other recognition, such as acknowledgment in an IBO publication (provided you are a qualified platinum).
- The monthly Ruby Bonus.

Internationally registered groups may not be used for Ruby qualification.

Founders Ruby

You can qualify to become a Founders Ruby if you:
Attain Ruby qualification for all 12 months of the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Ruby pin.
- The monthly Ruby Bonus.
- Other recognition, such as acknowledgment in an IBO publication.

Sapphire

You can qualify as a Sapphire if you either:

1. Register or foster-register 2 North American groups, each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year, and you generate an additional Award Volume of at least 2,500 PV during each of those months, or
2. Register or foster-register 3 North American groups, each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year.

Internationally registered groups may not be used for Sapphire qualification.

You are eligible to receive:

- A 25% Performance Bonus.
- A Sapphire pin.
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Founders Sapphire

You can qualify as a Founders Sapphire if you:
Attain Sapphire qualification for all 12 months of the fiscal year:

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Sapphire pin.
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

AWARDS AND QUALIFICATIONS CONT.

Emerald

You can qualify as an Emerald if you:

1. Attain Platinum qualification, and
2. Personally, internationally, or foster-register 3 or more groups, each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- An Emerald pin.
- The annual Emerald Bonus.*
- Participation in the Emerald Profit Sharing Bonus.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as being featured in a story in an IBO publication.

Founders Emerald

You can qualify as a Founders Emerald if you:

Attain Emerald qualification for all 12 months of the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Emerald pin.
- The annual Emerald Bonus.*
- Participation in the Emerald Profit Sharing Bonus.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Diamond

You can qualify as a Diamond if you:

Personally, internationally, or foster-register 6 or more groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Diamond pin.
- The annual Emerald and Diamond Bonuses.*

- The annual Diamond Plus Bonus, provided you have 7 or more qualified groups.*
- Participation in the Emerald Profit Sharing Bonus.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as being featured in a story in an IBO publication.

Founders Diamond

You can qualify as a Founders Diamond if you either:

1. Attain Diamond qualification for all 12 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (except all 6 groups must be North American), and generate at least 8 Founders Achievement Award credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- The Founders Diamond pin.
- The annual Emerald and Diamond Bonuses.*
- The annual Diamond Plus Bonus, provided you have 7 or more qualified groups.*
- Participation in the Emerald Profit Sharing Bonus.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication

Executive Diamond

You can qualify as an Executive Diamond

if you either:

1. Personally, internationally, or foster-register 9 or more groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year and generate at least 10 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- An Executive Diamond pin.

*Internationally registered groups may be used for awards 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).

- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as being featured in a cover story in an IBO publication.

Founders Executive Diamond

You can qualify as a Founders Executive Diamond if you either:

1. Personally, internationally, or foster-register 9 or more groups (3 must be North American), each of which qualifies at the maximum Performance Bonus level for all 12 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 12 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Executive Diamond pin.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Double Diamond

You can qualify as a Double Diamond if you either:

1. Personally, internationally, or foster-register 12 or more groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 14 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Double Diamond pin.
- A one-time cash award of U.S.\$28,000.

- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as being featured in a cover story in an IBO publication.

Founders Double Diamond

You can qualify as a Founders Double Diamond if you either:

1. Personally, internationally, or foster-register 12 or more groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for all 12 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 16 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Double Diamond pin.
- A one-time cash award of U.S.\$42,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Triple Diamond

You can qualify as a Triple Diamond if you either:

1. Personally, internationally, or foster-register 15 groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 18 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Triple Diamond pin.

*Internationally registered groups may be used for awards 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 QUALIFICATIONS CONT.

- A one-time cash award of U.S.\$56,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as being featured in a cover story in an IBO publication.

Founders Triple Diamond

You can qualify as a Founders Triple Diamond if you either:

1. Personally, internationally, or foster-register 15 groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for all 12 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 20 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Triple Diamond pin.
- A one-time cash award of U.S.\$84,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Crown

You can qualify as a Crown if you either:

1. Personally, internationally, or foster-register 18 groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 22 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Crown pin.
- A one-time cash award of U.S.\$112,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Display of a formal portrait in the “Hall of Achievement” at World Headquarters.
- Other recognition, such as being featured in a cover story in an IBO publication.

Founders Crown

You can qualify as a Founders Crown if you either:

1. Personally, internationally, or foster-register 18 groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for all 12 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 25 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Crown pin.
- A one-time cash award of U.S.\$140,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Crown Ambassador

You can qualify as a Crown Ambassador if you either:

1. Personally, internationally, or foster-register 20 groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for at least 6 months of the fiscal year, or

*Internationally registered groups may be used for awards 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. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 27 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Crown Ambassador pin.
- A one-time cash award of U.S.\$168,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Display of a formal portrait in the “Hall of Achievement” at World Headquarters.
- Other recognition, such as being featured in a cover story in an IBO publication.

Founders Crown Ambassador

You can qualify as a Founders Crown Ambassador if you either:

1. Personally, internationally, or foster-register 20 groups (3 must be North American), each of which qualifies at the 25% Performance Bonus level for all 12 months of the fiscal year, or
2. Attain Diamond qualification for 6 months of the fiscal year (Note: 6 of your groups must be North American), and generate at least 30 FAA credits during the fiscal year.

You are eligible to receive:

- A 25% Performance Bonus.
- A Founders Crown Ambassador pin.
- A one-time cash bonus of U.S.\$196,000.
- Participation in the Emerald Profit Sharing Bonus.*
- The annual Emerald, Diamond, and Diamond Plus Bonuses.*
- Participation in the annual Sales Incentive Program published each year.
- Other recognition, such as acknowledgment in an IBO publication.

Founders Achievement Awards Program

The Founders Achievement Awards (FAA) Program was developed to recognize and reward the world-wide business contributions of top IBOs. Since 1991, these annual discretionary cash awards have been presented to IBOs who demonstrate extraordinary business development and exhibit high ethical and business standards. To qualify for this award, an IBO must be a Diamond Bonus recipient and have a minimum of eight FAA credits. Details can be found at www.quixtar.com > Office > Business Info > Rewards/Incentives.

Standard SIP/QGI/FAA Disclosure

Quixtar-powered Independent Business Owners can be recognized and compensated by Quixtar in a variety of ways. The Independent Business Ownership Plan offers monthly and annual bonuses that IBOs can earn in accordance with their contract with Quixtar. IBOs are also eligible for three discretionary programs that are separate from the IBO Plan and that can vary from year to year:

- The Sales Incentive Program (SIP) offers additional awards, rewards, non-cash awards, and participation in business conferences.
- The Quixtar Growth Incentive (QGI) provides additional incentives for qualified Diamonds and above who qualify for a Diamond Growth Incentive award (which is part of the SIP).
- The Founders Achievement Awards Program (FAA) rewards IBOs for their global business contributions.

IBO eligibility for the SIP, QGI, and FAA is at Quixtar's discretion and is based on conduct that demonstrates high ethical and business standards aligned with the goals and objectives of Quixtar and its related businesses. These standards require that:

- an IBO's conduct must not negatively affect the reputation of Quixtar, its related businesses, or IBOs affiliated with Quixtar and its related entities;
- an IBO complies with the letter and spirit of the Rules of Conduct, laws, and regulations in any market the IBO has a presence, and demonstrates cultural sensitivity given market conditions; and
- an IBO doesn't defend or support the conduct of others who don't comply with this criteria.

*Internationally registered groups may be used for awards 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).

MONTHLY BONUSES

Ruby Bonus

IBOs who generate at least 15,000 net PV in one month receive a Ruby Bonus equal to 2% of their net Ruby Business Volume for that month. Ruby Volume includes Personal Volume plus Pass-up Volume from any downline 25% Sponsors, Silver Producers, and/or Gold Producers who have not qualified at the 25% Performance Bonus level for the month; downline Platinum volume is not included.

Monthly Leadership Bonus

In the course of building your business, you may register and train an IBO until that IBO reaches the Silver Producer level or above. Quixtar believes this hard work, ability, and performance merits reward. So to help compensate you for the time and effort involved, and to provide additional incentive for you to continue developing Silver Producers and above, the Independent Business Ownership Plan provides monthly Leadership Bonus payments.

The Leadership Bonus is computed from the bottom up, never from the top down. This means that your Leadership Bonus is based on the performance of your downline group(s); at the same time, your performance contributes to the Leadership Bonus for your Sponsor.

Quixtar calculates and pays all Leadership Bonuses according to the following rules.

Rules for calculating the North American Leadership Bonus

Eligibility. You qualify for the Leadership Bonus if you either:

1. Register one North American group that qualifies at the 25% Performance Bonus level, and you generate an additional Award Volume of at least 2,500 PV* in the same month, or
2. Register 2 or more North American groups that qualify at the 25% Performance Bonus level for the month.

NOTE: Even if you don't meet the qualifications for a given month, any Leadership Bonus amounts based on your group's BV (including your own) are added to the bonus amounts being rolled up your Line of Sponsorship.

Factors Used in the Calculations. There are three factors or elements that Quixtar uses in arriving at the monthly Leadership Bonus for each eligible IBO:

- A. **The percentage.** Currently 4%. The group BV of IBOs involved is multiplied by 4% to determine bonus amounts used in the calculations.
- B. **BV/PV Ratio.** The "official ratio" in use as of 2003, is 2.49:1. The following formula yields the maximum Leadership Bond Adjustment (the Published LBA).

25% qualifying PV.....7,500
times the current ratio.....x 2.49

"official" qualifying BV.....= 18,675

18,675 x 4% = 747

747 is the actual Published Leadership Bonus Adjustment in effect for fiscal 2002-2003.

For simplicity in following these examples, we are using a "Published LBA" of \$600 – which is based on an average BV/PV ratio of 2:1 (one point of PV equals \$2 BV). The circles in the examples show the PV above the line, the BV below. Most of them reflect the average ratio, but not all do so – in order to show a variety of calculations.

*This 2,500 PV includes only your Personal Volume and Pass-up Volume from your groups that have not reached the 25% Performance Bonus level for the month.

C. **Leadership Bonus Adjustment (LBA).** The LBA is a credit/debit amount used in calculating how much of the bonus rolled up to an IBO is applied to his or her bonus, and how much is rolled up to his or her Sponsor. The Published LBA is the maximum adjustment used in the calculations. If the initial LBA within a Leg is less than the Published LBA, it continues to grow as bonus amounts are rolled up the Leg until the Published LBA is reached. At that point, the Published LBA becomes the minimum bonus amount that must be rolled up to each successive IBO in a Line of Sponsorship.

Leadership bonuses are computed from the bottom up. Note that the LBA continues to increase until it reaches the Published LBA level.



The Calculations

- The Leadership Bonus starts with the IBO furthest downline in each Leg of a Line of Sponsorship who qualified at the 25% Performance Bonus Level for the month. That IBO is called the "Starter." Of the Starter's BV, 4% is rolled up to his or her immediate Sponsor. That Sponsor may keep all, some, or none of the amount rolled up, depending on his or her PV and BV.

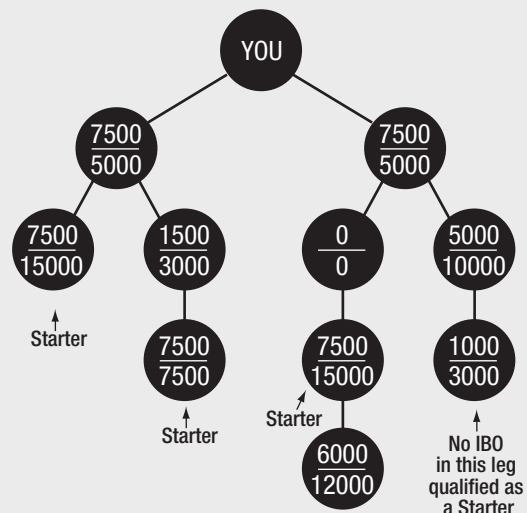
Rule 1 Example A

Note: Bonus calculations roll up through non-qualified IBOs.



Rule 1 Example B

The first (lowest in diagram) IBO that reaches 7,500 PV in each Leg of the LOS becomes the "Starter" for that Leg.



MONTHLY BONUSES CONT.

2. Calculations for each subsequent upline IBO who is eligible for the Leadership Bonus depends on the amount of their BV relative to the bonus amount rolled up to them:

- a. If 4% of your BV equals or exceeds the bonus amount rolled up from your downline, you keep the bonus amount rolled up to you, and the bonus amount based on your BV is rolled up to your Sponsor.

Rule 2a Example 1

YOU $\frac{7600}{15200}$ **\$608 ↑ to your Sponsor**
 Your bonus amount equals or exceeds amount rolled up to you (15,200 BV x .04 = \$608). You keep the amount rolled up to you.

Starter $\frac{7500}{15000}$ **\$600 ↑ Equals Published LBA**
 Full bonus amount rolls up (15,000 BV x .04 = \$600)

Rule 2a Example 2

YOU $\frac{4000}{8000}$ **\$320 ↑ to your Sponsor**
 Your bonus amount equals or exceeds amount rolled up to you (8,000 BV x .04 = \$320). You keep the amount rolled up to you.

Starter $\frac{7500}{7500}$ **\$300 ↑ Initial LBA**
 Full bonus amount rolls up (7,500 BV x .04 = \$300)

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- b. If 4% of your BV is less than the bonus amount rolled up from your downline, the bonus amount based on your BV is added to the bonus amount rolled up to you, and the LBA (or published LBA, whichever is smaller), is subtracted. You keep the difference from that subtraction; the LBA (or Published LBA) amount is rolled up to your Sponsor.

Note: If you are eligible for the Leadership Bonus based on 2 or more downline Legs, and the LBA from at least one of those Legs equals or exceeds the Published LBA, either Rule 2a or 2b is used to calculate your Leadership Bonus, just as if the total amount rolled up came from a single Leg.

Rule 2b Example 1

YOU $\frac{2500}{2500}$ **\$320 ↑ to your sponsor**
 Your bonus amount is less than the amount rolled up to you (2,500 BV x .04 = \$100). Use calculation below.

Starter $\frac{7500}{7500}$ **\$300 ↑ Initial LBA**
 Full bonus amount rolls up (7,500 BV x .04 = \$300)

Amount rolled up to you	\$300
Add 4% of your BV	+100
Total	\$400
Subtract the LBA	-300
Your Leadership Bonus	\$100

Rule 2b Example 2

YOU $\frac{4000}{8000}$ **\$600 ↑ to your sponsor**
 Your bonus amount is less than the amount rolled up to you (8,000 BV x .04 = \$320). Use calculation below.

Starter $\frac{7500}{15000}$ **\$600 ↑ Initial LBA equals published LBA**
 Full bonus amount rolls up (15,000 BV x .04 = \$600)

Amount rolled up to you	\$600
Add 4% of your BV	+320
Total	\$920
Subtract the LBA	-600
Your Leadership Bonus	\$320

Rule 2b Example 3

YOU $\frac{7500}{15000}$ **\$600 ↑ to your sponsor**
 Your bonus amount is less than the amount rolled up to you (15,000 BV x .04 = \$600). Use calculation below.

Starter $\frac{7600}{15200}$ **\$608 ↑ Bonus roll up exceeds published LBA**
 Full bonus amount rolls up (15,200 BV x .04 = \$608)

Amount rolled up to you	\$608
Add 4% of your BV	+600
Total	\$1,208
Subtract the LBA*	-600
Your Leadership Bonus	\$608

*Remember, the Published LBA is the maximum amount subtracted in this type of calculation.

3. If you are eligible for the Leadership Bonus based on 2 or more downline Legs, and the LBA from each Leg is less than the Published LBA, your bonus calculation depends on the amount of your BV relative to the average of the bonus amounts rolled up to you:

a. If 4% of your BV equals or exceeds the average bonus amount rolled up from your downline Legs, you keep the bonus amounts rolled up to you, and the bonus amount based on your BV is rolled up to your Sponsor.

b. If 4% of your BV is less than the average bonus amount rolled up from your downline Legs, the bonus amount based on your BV is added to the total amounts rolled up to you, and the LBA (the average roll up), is subtracted. You keep the difference from that subtraction; the LBA amount is rolled up to your Sponsor.

Rule 3a Example 1

YOU
7500
12000

\$480 ↑ to your sponsor
Your bonus equals or exceeds the average of the amounts rolled up to you. You keep the \$600 rolled up to you.
(12,000 BV x .04 = \$480)
(300 + 300 = 600 ÷ 2 = \$300)

Starter
7500
7500

\$300 ↑
Initial LBA

Full bonus amount rolls up
(7,500 BV x .04 = \$300)

Starter
7500
7500

\$300 ↑
Initial LBA

Full bonus amount rolls up
(7,500 BV x .04 = \$300)

Rule 3a Example 2

YOU
7500
15000

\$600 ↑ to your sponsor
Your bonus equals or exceeds the average of the amounts rolled up to you. You keep the \$960 rolled up to you.
(15,000 BV x .04 ÷ 2 = \$600)
(480 + 480 = 960 ÷ 2 = \$480)

Starter
7500
12000

\$480 ↑
Initial LBA

Full bonus amount rolls up
(12,000 BV x .04 = \$480)

Starter
7500
12000

\$480 ↑
Initial LBA

Full bonus amount rolls up
(12,000 BV x .04 = \$480)

Rule 3b Example 1

YOU
7500
5000

\$300 ↑ to your sponsor
Your bonus amount is less than the average rolled up to you. Use calculation below.
(5,000 BV x .04 = \$200)

Starter
7500
7500

\$300 ↑
Initial LBA

Full bonus amount rolls up
(7,500 BV x .04 = \$300)

Starter
7500
7500

\$300 ↑
Initial LBA

Full bonus amount rolls up
(7,500 BV x .04 = \$300)

Amount rolled up to you	\$600
Add 4% of your BV	+200
Total	\$800
Subtract the LBA	-300
Your Leadership Bonus	\$500

MONTHLY BONUSES CONT.

How to Interpret a Leadership Bonus Statement

North America
Leadership Bonus Statement
For the Month of September 2002
Currency: USE United States Dollar - Quixtar

To: 1234 IBO A
878 Parkway
Anywhere, USA

Published Leadership Bonus Adjustment Amount: USE **1** 747.00

Number	IBO Name	Point Value	Business Volume	Leadership	Adjustments		Net Bonus
					From Downline	To Upline	
1234	IBO A	4150.00	8750.00			2 397.00-	397.00-
	1234b IBO B	900.00	1,925.00	4 77.00	5 630.00		6 757.00
Total.....				77.00	630.00	397.00-	3 360.00

IBO A
4150
8750

\$747 ↑ to A's sponsor
Your bonus amount is less than the amount rolled up to you. ($8,750.00 \times .04 = \$350.00$) Use calculation at right.

Amount rolled up to A	\$575.00
Add 4% of A's BV	+350.00
Total	\$1,107.00
Subtract the LBA	-747.00 1
A's Leadership Bonus	\$360.00 3

2 The difference between 4% of A's BV and amount rolled up to A's Sponsor [$350 - 747 = 397$]. Used in the computer program, but not needed in the manual calculations shown at left.

IBO B
900
1925

\$757 ↑ **6** Total rolled up to A (Exceeds Published LBA)
B doesn't qualify to participate, but contributes 4% to the roll up ($1,925.00 \times .04 = \$77.00$) **4**

5 Bonus amount(s) rolled up from recipient's second level or lower are combined in the "Adjustments from Downline" column. Only volumes from frontline IBOs are shown on the statement.

IBO C Starter
7500
17000

\$680 ↑ Initial LBA
Full bonus amount rolls up. ($17,000.00 \times .04 = \$680.00$) **5**

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Monthly Depth Bonus

In building your business, you may devote time and effort to help and encourage your North American frontline Silver Producers and above to register and develop downline Silver Producers of their own. To encourage and reward these efforts, the Independent Business Ownership Plan provides Monthly Depth Bonus payments.

The Monthly Depth Bonus is computed from the top down, starting with your second level qualified IBOs and extending downline until reaching the first level that owes a Monthly Depth Bonus to another IBO. The bonus is calculated separately for each of your qualified Legs.

When you qualify for a Monthly Depth Bonus, your upline Depth Bonus recipient is guaranteed a minimum Depth Bonus amount from each of your

qualified Legs. This minimum guaranteed amount is either the Monthly Depth Bonus Adjustment (MDA), or the "base amount" of your Monthly Depth Bonus from that Leg – whichever is less. (The base amount is the total Monthly Depth Bonus from a Leg prior to any adjustment; see calculations section for details.)

Quixtar calculates and pays all Monthly Depth Bonuses according to the following rules.

Rules for calculating the North American Monthly Depth Bonus

Eligibility. You qualify for the Monthly Depth Bonus when both of these conditions are met:

1. You register 3 or more North American groups (your frontline IBOs) that qualify at the 25% Performance Bonus level for the month, and

2. At least one of those IBOs registers one or more North American groups (your second level IBOs) that qualify at the 25% Performance Bonus level for the month.
Note: International Legs do not count toward eligibility.

Factors Used in the Calculations. There are three factors Quixtar uses in arriving at the Monthly Depth Bonus for each eligible IBO, just as for the Leadership Bonus.

- A. **The percentage.** Currently 1%. The group BV of IBOs involved within each Leg is multiplied by 1% to determine the base amount used in the bonus calculations.
- B. **The BV/PV ratio.** Exactly the same ratio, based on the same data, used for the Leadership Bonus.
- C. **Monthly Depth Bonus Adjustment (MDA).** The MDA is exactly one-quarter of the Published Leadership Bonus Adjustment. (It is calculated the same way as the LBA, but using 1% instead of 4%.)

The Calculations

The Monthly Depth Bonus is calculated separately for each of your qualified Legs.

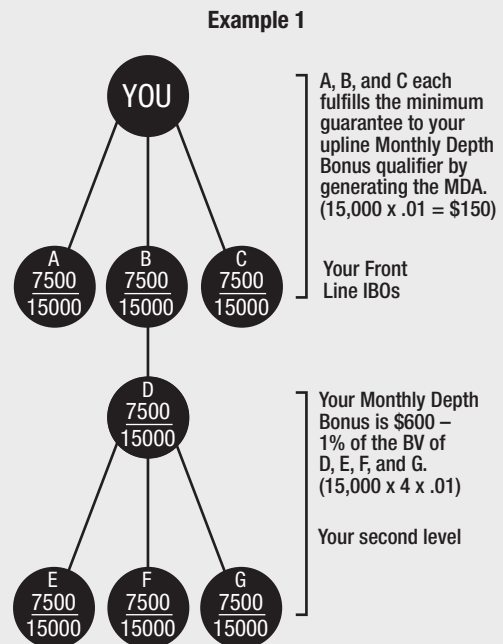
1. The base amount of your Monthly Depth Bonus from a single Leg is 1% of the BV of all qualified downline IBOs, starting with your second level and extending down to the second level below the next downline IBO who qualifies for the Monthly Depth Bonus.
2. When that Leg's base amount equals or exceeds the MDA, the MDA becomes the guaranteed minimum amount.
 - a. If 1% of the BV of the frontline Leader of the Leg equals or exceeds the MDA, you keep the entire base amount from that Leg.
 - b. If 1% of the BV of the frontline Leader of the Leg is less than the MDA, the shortfall is taken from the Leg's base amount to fulfill the guaranteed minimum, and you keep the balance.
3. When that Leg's base amount is less than the MDA, the base amount from the Leg becomes the guaranteed minimum amount.
 - a. If 1% of the BV of the frontline Leader of the Leg equals or exceeds this guaranteed minimum, you keep entire base amount from that Leg.

- b. If 1% of the BV of the frontline Leader of the Leg is less than this guaranteed minimum, the shortfall is taken from the Leg's base amount to fulfill the guaranteed minimum, and you keep the balance.

4. International Legs are not included for qualification or calculation of Monthly Depth Bonus.

Monthly Depth Bonus Examples

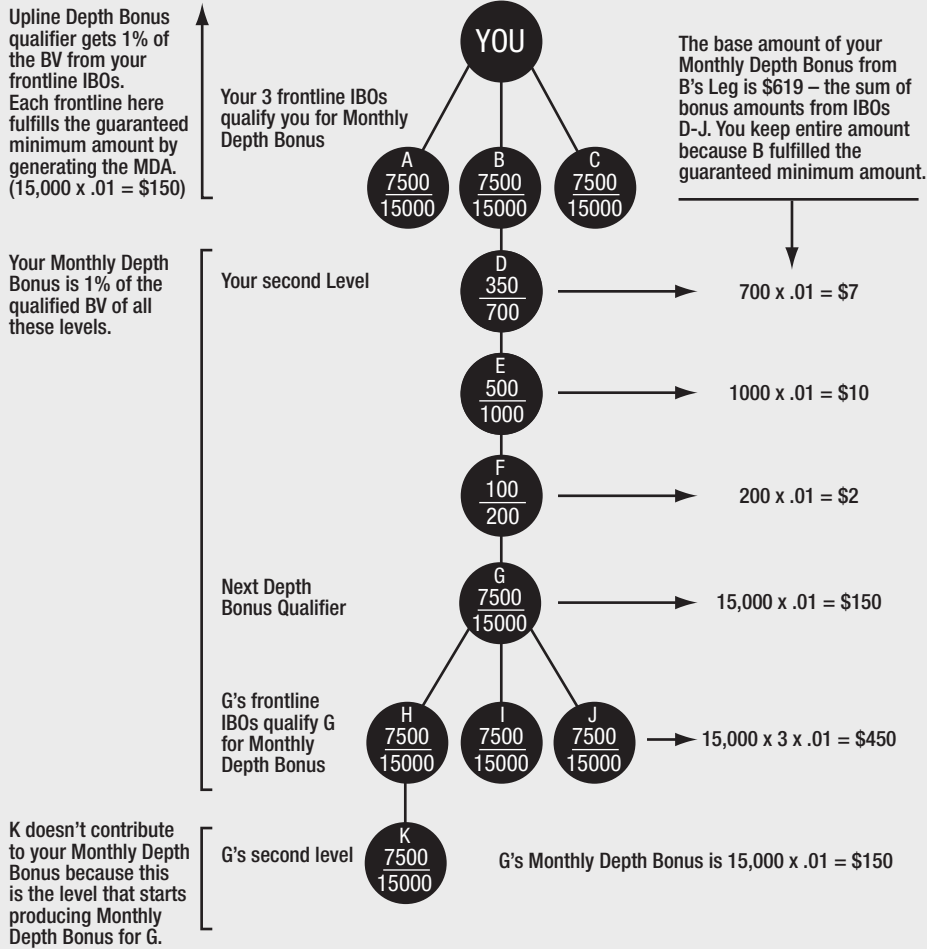
For simplicity in following these examples, we are using a Monthly Depth Bonus Adjustment (MDA) of \$150 – which is based on an average BV/PV ratio of 2:1 (one point of PV equals \$2 BV). The circles in the examples show the PV above the line, the BV below the line.



MONTHLY BONUSES CONT.

Monthly Depth Bonus Examples cont.

Example 2



ANNUAL BONUSES

Each year, Quixtar sets aside money to fund three annual bonuses: The Emerald, Diamond, and Diamond Plus Bonuses. Each fund receives an amount equal to one-fourth of 1% (.0025) of the total North American BV. Following is a description of how each of the bonus funds is disbursed.

Emerald Bonus

Qualified Emeralds and above who personally or foster-register 3 or more North American groups, each of which qualifies at the 25% Performance Bonus Level for at least 6 months of a given fiscal year, receive 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, Quixtar 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. The fund is distributed to eligible participants in accordance with the formula shown in the table "Emerald Profit Sharing, Emerald, and Diamond Bonus Schedule" at the end of this section.

Diamond Bonus

Qualified Diamonds and above who personally or foster-register 6 or more North American groups, each of which qualifies at the 25% Performance Bonus Level for at least 6 months of a given fiscal year, receive Diamond Bonus points and payment on qualified North American volume as well as the traceable volume from internationally sponsored qualified groups. The fund is distributed to eligible participants in accordance with the same formula employed for the calculation of the Emerald Bonus. (See the table "Emerald Profit Sharing, Emerald, and Diamond Bonus Schedule" at the end of this section.)

Diamond Plus Bonus

Qualified Diamonds and above who personally or foster-register 7 or more North American groups, each of which qualifies at the 25% Performance Bonus Level for at least 6 months of a given fiscal year, receive a Diamond Plus Bonus at the end of each fiscal year. Disbursements from the Diamond Plus Bonus fund are made in accordance with the schedule shown at the end of this section.

In the event that disbursements based on the schedule would leave a surplus in the fund – or exceed the total available in the fund – then all payments would be increased or decreased on a pro rata basis until the total disbursement equaled the available funds.

Example 1

You register 7 North American groups, each of which is at the 25% Performance Bonus level for 6 months in a given fiscal year. Your Diamond Plus Bonus is computed as follows:

$$7 \text{ (groups)} \times 6 \text{ (months)} \times \$100 = \$4,200$$

Example 2

You register 11 North American groups, each of which is at the 25% Performance Bonus level for all 12 months in a given fiscal year. Your Diamond Plus Bonus is computed as follows:

$$11 \text{ (groups)} \times 12 \text{ (months)} \times \$100 = \$13,200$$

Example 3

You register 18 North American groups: 3 of them are at the 25% Performance Bonus level for 4 months, 5 are at that level for 6 months, 5 are at that level for 9 months, and 5 are at that level for all 12 months in a given fiscal year.

For purposes of the Diamond Plus Bonus, 3 of your groups did not qualify for the minimum 6 months. For each of the remaining 15 groups, you will receive \$300 for each month they were at the 25% Performance Bonus level.

$$\begin{aligned} 5 \text{ (groups)} \times 6 \text{ (months)} \times \$300 &= \$ 9,000 \\ 5 \text{ (groups)} \times 9 \text{ (months)} \times \$300 &= \$13,500 \\ 5 \text{ (groups)} \times 12 \text{ (months)} \times \$300 &= \$18,000 \end{aligned}$$

Your Diamond Plus Bonus	\$40,500
total for the year	

ANNUAL BONUSES CONT.

Diamond Plus Bonus Schedule

Number of 25% groups to qualify (each group at the 25% level for 6 months or more) ¹	Estimated payment per group for each month qualified ²	Minimum		Maximum
7 to 11	\$100	\$4,200	–	\$13,200
12 to 14	\$200	\$14,400	–	\$33,600
15 to 17	\$300	\$27,000	–	\$61,000
18 to 19	\$400	\$43,200	–	\$91,200
20	\$500	\$60,000	–	Applicable

Emerald Profit Sharing, Emerald, and Diamond Bonus Schedule³

Business Volume		Points Available Per Bracket	Cumulative Points
\$0 up to \$25,000	4 points per \$1,000 BV	100	100
\$25,000 up to \$75,000	2 points per \$1,000 BV	100	200
\$75,000 up to \$125,000	1 point per \$1,000 BV	50	250
\$125,000 and above	1 point per \$10,000 BV	Based on volume	Based on volume

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¹ Internationally 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.

³ Emerald and Diamond Bonus calculations include traceable volume from internationally sponsored qualified groups. Emerald Profit Sharing Bonus points are calculated on domestic volume only.

TIPS FOR SUCCESSFUL BUSINESS-BUILDING

Section Contents

**Important Responsibility
StatementB-1**

**Tips for Successful
Business-BuildingB-2**

Marketing Products
Referring Other IBOs

IMPORTANT RESPONSIBILITY STATEMENT

There are many state and federal laws affecting the sale of food supplements and health and fitness products. When marketing these products, it is important to use only the claims permitted in authorized literature. Using improper claims contained in unauthorized literature could lead to violations of food supplement regulations by misrepresenting food supplements as drugs or medications.

Unless you are a medical doctor, you should not attempt to diagnose health complaints or prescribe remedies for health conditions. Don't assume that your customers need a certain food supplement or other health and fitness product; refrain from telling your customers what they need. Always allow the customer to select the product best suited to their needs.

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 supporting the claims at the time you make them.

TIPS FOR SUCCESSFUL BUSINESS-BUILDING

Business success includes two facets: The movement of product to your downline IBOs, registered Clients and Members, and other customers, and referring other IBOs into the business.

Marketing Products

Tip 1. Get to know the products.

Flip through your *Choices* and STORE FOR MORE™ Catalogs to get familiar with the products. Product sales are key to growing your business. Think about which products you and others would most likely use again and again.

Notice which ones have the highest PV/BV. To learn the PV/BV for any product, use the *Pricing Guide* or the Price Code listed in front of the suggested retail price for each catalog item. In the Price Code, the number after the P is the PV, the number after the B is the BV, and the number after the Y is Your IBO Cost. Add a decimal point before the last two numbers.

Most of our products are those you use in your home all the time, like SA8® laundry products, DISH DROPS® Dishwashing Detergents, GLISTER® Toothpaste, ARTISTRY® Cosmetics and Skin Care products, DOUBLE X® Vitamin/Mineral/Phytonutrient Supplements, and TRIM ADVANTAGE® Protein Bars.

So why not switch to some products you can buy from your own business? Order some, and you're on your way to qualifying for a Performance Bonus.

Tip 2. Introduce products to others.

Using products will help you talk about them with friends and family. Tell them about your personal favorites, and they'll likely be interested in buying some based on your enthusiasm and recommendation. You can earn immediate income by offering products to customers at a price you set above your IBO cost. Other places you can go for more information about promoting products include:

- The *Choices* Catalog is filled with product features and benefits plus cost and other comparisons with competitive brands.

- You can also go to www.quixtar.com for the Expert Advice columns and Product FAQs on the Health, Health Tech, Beauty, and Home Essentials pages.
- Go to Office > Product Support > Product Data Sheets (Fast Facts) on www.quixtar.com to download pages that include product demonstrations, features and benefits, and other information.
- Download product ads by going to Office > Product Support > Product Ads.

Referring Other IBOs

Tip 1. Ask your upline IBO for help.

The person who referred you most likely has a proven system for generating sales volume and showing the Independent Business Ownership Plan to people you know who might be interested in becoming IBOs. Work closely with that person in presenting the IBO Plan.

Tip 2. Use the *Business of Life* brochure.

The *Business of Life* brochure (SA-2365) will help you really understand and appreciate what it means to own a business powered by Quixtar and help you share the excitement with others interested in becoming IBOs.

Tip 3. Get to know www.quixtar.com.

Visit www.quixtar.com. Use the handy Shop/Order menu to find Health, Health Tech, Beauty, and Home Essentials products, STORE FOR MORE™, The Gift Store, *Gift & Incentive* Program, Business to Business, Clearance, Features/Specials, and Partner Stores & Services. Visit the Partner Stores. Find out what help is available under Customer Service. Check out Office to see how it can help you manage and build your business.

Tip 4. Recommend the Product Intro Pack.

The Product Intro Pack is a smart choice for new IBOs when they register. The Intro Pack introduces them to some of the top-selling, most profitable products available only from Quixtar. Research shows that IBOs who get products when they register are more likely to succeed in their early months.

Research also suggests that IBOs who register with product are more productive and more likely to refer others into the business. The Product Intro Pack is a collection of best-selling, high-performance ARTISTRY®, NUTRILITE®, L.O.C.®, and SA8® products. The collection was put together to help new IBOs get to know these products so they can successfully introduce them to others.

Tip 5. Stay connected.

Quixtar's business model is driven by IBOs like you who provide the "high touch" of personal service and interaction that's missing from most other e-commerce business plans. In fact, Quixtar pioneered I-commerce, the combination of four key elements ...

- the Internet
- the individual
- the infrastructure of Quixtar
- independent business ownership

... that form a dynamic business model that provides you with a solid platform for success.

I-commerce is all about connection: with other IBOs and with people who might be interested in your products or in their own I-commerce business. Ask the person who referred you for help and advice.

Quixtar also is here to support you. The back of your *Pricing Guide* has a phone and e-mail directory for corporate departments that can answer your questions.

MANAGING YOUR BUSINESS

Section Contents

Managing Your BusinessC-1

- Product Information and Ordering
- Volume Credits and Transfers
- Satisfaction Guarantee
- Warranties
- Product Returns
- Sales Taxes
- Business Licenses
- Zoning Ordinances
- Bookkeeping Basics
- Income Tax Tips
- Business and Family Insurance
- Your Trade Association
- Business Support Materials
- Annual Business Renewal
- Building an International Business

MANAGING YOUR BUSINESS

Product Information and Ordering

The QUIXTAR® Web site supports you with many great tools and resources to help manage your business. Shopping directories and product indexes can be found online at www.quixtar.com by selecting Shop/Order > Find a Product, or choose among the Health, Health Tech, Beauty, and Home Essentials online product categories. Receive FAST FACTS™ Fax On Demand and other detailed information about specific products at Office > Product Support > Product Data Sheets. Always find current product availability, pricing, and ordering information in the *Pricing Guide* (SA-13), which you may download free at Office > Business Info > Product Price Guides. Also, for a variety of company-produced merchandising aids, check out Office > Product Support > Product Support Materials.

Product availability and pricing are subject to change without notice. Updates are communicated generally via *THE LOOP*® Newsletter and What's New at www.quixtar.com. If any information appears incorrect, or if you have questions, please e-mail product.support@quixtar.com or call 616-787-6279, and Quixtar will verify the information for you. For assistance with placing an order, you may e-mail order.support@quixtar.com or contact your upline.

Volume Credits and Transfers

PV/BV from product orders placed directly with Quixtar generally gets credited to the ordering IBO, unless otherwise indicated at the time of the order. If you place an order on behalf of another IBO, you must designate that the volume for the order be credited to that IBO. Additionally, you may supply another IBO with products from your inventory, in which case the volume for those products must be transferred from your monthly totals and credited to the purchasing IBO. This allows for proper accounting of monthly volume, which results in the proper calculation and payment of all bonuses and awards. All PV/BV transfers must be made in the month that the transaction occurs. For detailed information about volume credits and transfers, including the open dates for making transfers each month, go to www.quixtar.com and select Office > PV/BV > PV/BV Transfer.

Satisfaction Guarantee

The Corporation is a recognized leader in the industry for offering superior value in a high-quality product line. We are committed to your success,

delivering state-of-the-art products of the finest quality for sale to your customers. Our products are manufactured under rigid quality-control programs and exhaustively tested for quality and performance. You can confidently stand behind our products because we stand behind them with the following Satisfaction Guarantee:

We stand behind the quality of our products and guarantee your satisfaction. If for any reason you try our product and are not completely satisfied, you may return it within 180 days of purchase for an exchange or refund of the product price and applicable tax. (NOTE: Specific limited guarantees apply to designated products.) This satisfaction guarantee does not apply to IBO purchases for stock or inventory.

If your customer is dissatisfied for any reason with a covered coreline product, you should offer to:

- Replace the product without charge;
- Exchange the product for credit toward the purchase of another product; or
- Refund the purchase price and applicable tax.

Note that some products such as computers, consumable food and beverage items, over-the-counter drugs, undergarments, and swimwear are non-returnable unless defective upon receipt. Additionally, Partner Store items must be returned to the Partner Store from which they were purchased. For more information, you may go to www.quixtar.com and select Customer Service > Order Support > Return Policy.

Warranties

Select products are covered separately by express warranties. STORE FOR MORE™ merchandise is generally warranted for a period of one year from the date of original purchase or receipt as a gift. Quixtar will, at its option, repair, replace, or issue a refund for covered defective merchandise. This warranty, which does not cover damage to a product resulting from accident or misuse, provides specific legal rights. Other rights, which vary from state to state, may also be available. Other STORE FOR MORE merchandise such as electronics may be covered instead by specific manufacturers' warranties, which you may request before ordering. Also, some items from the *Choices* catalog come with their own warranties as noted on the product pages. For detailed information concerning applicable product warranties, you may go to www.quixtar.com and select Customer Service > Order Support > Warranties.

MANAGING YOUR BUSINESS CONT.

Product Returns

IBOs and registered Members and Clients who place orders with and receive product delivery directly from Quixtar may return items using the Merchandise Product Return (SA-112Q), which you receive along with your packing slip in each order. This form contains a prepaid merchandise return mailing label, as well as detailed instructions for handling returns. If you do not have the form or the mailing label, you may download them for free at www.quixtar.com by selecting Customer Service > Order Support > Return Items. For questions regarding a return, contact the Returns Dept. at 616-682-8000, or call Customer Service at 1-800-253-6500. If you are not authorized to order directly from Quixtar, contact your upline for product returns as you normally would to place an order.

Note that only IBO purchases for personal, family, or household use may be freely returned under the Satisfaction Guarantee. Product purchased for IBO stock or inventory is returnable only under the Buy-Back Rule, provided the IBO decides to leave the business, or on an exception basis where the IBO may be changing fulfillment methods or experiencing significant financial hardship. Exception returns are reviewed on a case-by-case basis pursuant to Quixtar's exception returns policy. Returns staff reserves the right, in its sole discretion, to make the final determination on all exception return requests. Quixtar does not sell inventory on consignment, such that you should order only the amount of inventory that you reasonably intend to sell during the month.

Sales Taxes

Selling products and services to your customers requires the collection and remittance of various state and local sales taxes. For your convenience, Quixtar has entered into collection agreements with all applicable state and local taxing authorities. Those agreements allow Quixtar to collect the required sales taxes at the point of sale and remit them to the proper taxing authorities on your behalf. As a result, you don't need to obtain a separate sales tax license for your business. IBOs operate under the sales tax license assigned to Quixtar in each state, county, and municipality. To verify the sales tax license number for your taxing jurisdiction, you may e-mail the Sales Tax Dept. at Qsales.Tax@quixtar.com, or call 616-787-5322.

For additional information and forms related to sales tax rates, tax adjustments, exemptions, and

other special circumstances, go to www.quixtar.com and select Office > Business Info > Tax Info. The Sales Tax Dept. also publishes an informational bulletin titled *U.S.A.: Sales Tax and Your Independent Business*, which is available free of charge by calling the number above.

Business Licenses

Many local governments have ordinances requiring business operators to register their business and sometimes pay an annual fee for the privilege of doing business in the municipality. You should inquire with your local government office and request a copy of any such ordinance. Many ordinances do not apply to the IBO Plan, but in such instances where they do, you must comply with the law.

Zoning Ordinances

Some local governments have zoning ordinances that limit or prohibit the operation of a commercial business from the home. While most such zoning ordinances do not apply to the IBO Plan, you should confirm this with your local government office. It is your responsibility to comply with all zoning and other municipal requirements for operating your business.

Bookkeeping Basics

As a small-business owner, it is important to conduct your affairs in a professional and businesslike manner, which includes keeping accurate books and records to track your productivity and make necessary adjustments in order to meet your business objectives. Accurately recording items of business income and expense, as well as keeping original source documents that substantiate your income and expenses, is essential for proper income tax reporting.

There are various affordable software packages on the market today that enable you to perform basic bookkeeping tasks on your personal computer. Your IBO organization may also have helpful tools to assist you with managing your business bookkeeping needs, so you might consult with your sponsor or upline Platinum about their methods. In addition, you are encouraged to consult with your qualified tax adviser, preferably a CPA, who has the training and experience to recommend an effective bookkeeping strategy for you. Implementing effective bookkeeping methods in the beginning will allow you to later devote more attention and energy toward building your business.

Income Tax Tips

Like any small-business owner engaged in a for-profit enterprise, your income is subject to tax and must be reported on your personal income tax returns. Business income and expense items must be summarized separately on IRS Form 1040, for which you will most likely use Schedule C. Additionally, you may be required to issue Form 1099-MISC to IBOs in your downline group.

For a comprehensive discussion of your filing requirements and other income tax tips, the Tax Dept. publishes an informational bulletin entitled *Your Quixtar Earnings & The U.S. Income Tax*, which is available free of charge at www.quixtar.com by selecting Office > Business Info > Tax Info. A link is also provided in that section to the official IRS Home Page at www.irs.gov, where you may go to find forms and instructions as well as general information. Note that these items are for your information and do not constitute professional counsel or advice. You are advised to seek personalized counsel from your qualified tax adviser, preferably a CPA, who should be your final authority on all tax matters.

Be aware that some self-styled “tax experts” claim that by simply starting your own business you can improve your current income tax situation by converting certain otherwise-personal expenses into deductible business expenses. This concept of “generating” deductions to offset income from other sources such as your employment is sometimes referred to as a tax shelter. The Independent Business Ownership Plan is not a tax shelter, and promoting it as such is strictly prohibited. Your business should be a profit-motivated enterprise, and you are entitled to deduct only those permissible business expenses allowed under the Internal Revenue Code.

As a final note, Quixtar must have a valid taxpayer identification number on file for your business in order to properly report bonus payments. Because you have the opportunity to very quickly earn income through Performance bonuses, you should confirm that Quixtar has your proper Social Security number, or other taxpayer identification number, especially if you did not provide it at registration. Failure to provide Quixtar with this information may result in your bonus payments being subject to backup withholding as required by the Internal Revenue Code.

Business and Family Insurance

For a \$5 annual fee, IBOs are eligible to participate in the Independent Business Owners Benefits Association (IBOBA), a nonprofit association that offers valuable business and family insurance plans at favorable group rates.

Marsh USA Inc. services IBOs with their commercial general liability and property insurance needs. General liability insurance protects IBOs against occurrences of bodily injury, property damage, personal injury, and advertising injury during the conduct of their independent business. Business property insurance protects IBOs against losses resulting from physical damage to business inventory, samples, sales literature, equipment, and other personal and real property used primarily in their business. Both liability protections are crucial for business owners. For more information about insurance coverage for your business, contact Marsh at 1-800-548-9175.

Universal Insurance Services, Inc. administers various insurance plans designed to serve each IBO's personal and family insurance needs. These include medical, dental, life, disability, accidental death, long-term care, personal liability, auto, homeowners, and even pet insurance. Other valuable offers from Universal include a home warranty program, as well as a health care savings card that entitles you to discounts from participating providers throughout the U.S. For more information about personal and family insurance options, you may go to www.quixtar.com and select Shop/Order > Partner Stores & Services > List > Universal, or call 1-800-254-2327.

Your Trade Association

The Independent Business Owners Association International (IBOA International) is the voice of the IBO. Through its Board, the IBOA International provides an open channel of communication with the Corporation on all aspects of the business, taking an active role in shaping its future.

For \$5 annually, any IBO may voluntarily become a member of the IBOA International and support its activities. When your business achieves the Platinum level or above, you become a voting member of the Association, which also allows you to participate in selecting members to the governing Board. For more information about the IBOA International, visit www.iboai.com, or contact the Association at 616-776-7714.

MANAGING YOUR BUSINESS CONT.

Business Support Materials

Education, training, and motivation are critically important to building a successful independent business. To educate you in the business and assist with your own training and motivation, as well as teaching how to train and motivate others, the Corporation prepares various merchandising aids and support services. All materials produced and distributed by the Corporation are subject to its Satisfaction Guarantee and Buy-Back Rule.

Some IBOs independently produce and distribute their own Business Support Materials, available for purchase by other IBOs, which may include books, magazines and other printed materials, audio tapes, video tapes, software, Web sites, Internet services and other electronic media, rallies, meetings, and educational seminars. Those IBOs who sell BSMs may profit from their sale.

While you are not required to purchase any BSMs, you may decide that they can play a useful role in building a profitable business. Should you decide to voluntarily purchase or sell BSMs, the IBOA International requests that you complete the Business Support Materials Arbitration Agreement.

The BSM Buy-Back Policy contained in the IBO Rules of Conduct provides that an IBO selling BSMs must, upon request, buy them back from any dissatisfied original purchaser on commercially reasonable terms for a period of 180 days after the sale thereof (refunds for tickets to seminars, rallies, and other functions available for 30 days after the date of event). All IBOs are free to purchase or cease purchasing BSMs at any time without threats, pressure, or retaliation.

Annual Business Renewal

You must maintain a current authorization in order to preserve your rights as an IBO, including all rights to your registered IBOs, Members, and Clients. Your authorization expires on Dec. 31 each year. To remain an authorized IBO, you must annually submit prior to Dec. 31 your Intent to Continue Renewal Agreement (SA-469Q) along with the required Annual Business Fee. Your renewal may be conducted online, by mail, or by phone.

First-year IBO renewal fees may be waived or prorated depending on the month in which they entered the business. For IBOs entering between Sept. 1

and Dec. 31 of the current year, your authorization automatically includes the next calendar year. For IBOs entering between Feb. 1 and Aug. 31, you may be eligible for a prorated renewal fee for the next calendar year. To renew online, access www.quixtar.com and select Office > Registration & Renewal > Renew. You may also download the renewal form with instructions by selecting Office > Business Info > Business Forms > (SA-469Q). For questions or assistance, contact Customer Service at 1-800-253-6500.

Building an International Business

The company's enthusiasm for global expansion creates exciting growth opportunities for you either through international sponsorship, or by establishing additional distributorships in other markets. As an IBO, you have the opportunity to sponsor others into the business not just in the U.S., but also in other countries around the world where the company has established affiliate markets. Today, the company operates in over 80 countries and territories, and is continually pursuing new market opportunities. When you become an International Sponsor for a friend, relative, or associate living in another country, they will be aligned with a Foster Sponsor who is authorized in the market and who provides your prospect with the product, education, training, and motivation that they need. The global Sales & Marketing Plan rewards both the International Sponsor and the Foster Sponsor for your prospect's sales activity.

Should you wish to personally sponsor others in another market, or to retail products there, you are required to establish an authorized distributorship in the market. Establishing a business in another country as a non-citizen is often complicated, and the business and legal requirements vary from country to country. You are advised to contact the U.S. Embassy or Consulate in the market, as well as the local affiliate office. Where it is permitted, your international business(es) will be Internationally Sponsored by your existing Quixtar business in the U.S. and Foster Sponsored by an authorized distributor in the country. Your international business(es) will be regarded as separate independent businesses and may not be merged with any other businesses for purposes of awards and qualifications.

To learn more about how to expand your business into other markets, contact International Inquiries at 616-787-7552, or e-mail your inquiry to international.inquiries@quixtar.com.

YOUR LEGAL RESPONSIBILITIES

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(See complete contents listing at the beginning of the Rules.)

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 Quixtar 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 customers and Prospects in a truthful and honest manner, and I will make only such claims as are sanctioned in official Quixtar literature.
- I will be courteous and prompt in handling any and all complaints, following procedures prescribed in official Quixtar 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 Quixtar literature.
- I will use only literature produced or authorized by Quixtar concerning the Independent Business Ownership Plan, products, and services.

BUSINESS RULES & REGULATIONS

Minimum Age Requirements

The age required to become an IBO and enjoy full rights and privileges, including the right to be a Sponsor and register others into the business, is 18 years old or the age of majority in the state in which the IBO resides (if different than 18). You may register a minor who is at least 16 years old to become an IBO for the purpose of merchandising products and services only, provided that their parent or guardian consents and also signs the IBO Registration Agreement.

IBOs Are Not Employees

As an IBO, you are not an employee, agent, or legal representative of Quixtar, but rather a self-employed independent contractor authorized by Quixtar to sell its products and register others who do the same. Quixtar exercises no control over the amount of time you devote to the business or the amount of income you derive from it. You should NOT, at any time, represent to anyone that you are an employee of Quixtar. This includes listing Quixtar as your “employer” on loan applications and government forms. Do not ask lenders or other parties to call Quixtar to verify your income or financial status because Quixtar will not be able to provide this information.

Dun & Bradstreet Reports

Dun & Bradstreet financial reports are not to be used in the course of registering new IBOs. This report pertains only to Quixtar’s creditworthiness and is not meant to be used as an investment rating. The business opportunity is not an investment security. All Dun & Bradstreet financial reports are confidential and reserved for the exclusive use of their subscribers. Although you may indicate Quixtar’s soundness when registering others into the business, using Dun & Bradstreet reports for such purpose is prohibited.

Better Business Bureau Membership

The Better Business Bureau (BBB) does not permit the use of its name in connection with advertising for products or services. The BBB name and symbol are federally registered service marks and, hence, using its name or symbol without permission may violate federal law.

You should not use the name or seal of the BBB in any printed materials that go to the general public or in advertisements, nor should you represent or imply to the public, either orally or in writing, that Quixtar or its products or services are endorsed by the BBB.

This includes asking a prospective IBO, Member, Client, or other customer to call the BBB as a reference. Such a request is viewed by the BBB as an implied endorsement, which is impermissible.

IBOs who are members of a local BBB may display membership plaques, certificates, or decals in their offices that are issued by the BBB 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 BBB.

The Council of Better Business Bureaus, Inc. (CBBB), of which Quixtar is a member, has provided a fact sheet about Quixtar to more than 142 local BBBs. Thus, local BBBs that are members of the CBBB are prepared to answer questions from the membership or the general public about Quixtar. Local BBBs that are not members of the CBBB can secure such data from the West Michigan BBB, which maintains current information on Quixtar.

Removing IBO Names from Official Records

A request to delete an IBO name from Quixtar’s official listing must be submitted in writing to Business Conduct & Rules. Deletion from the official records 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, Clients, and other customers. Requests must include the following documents:

- Written consent from the person(s) being removed. Assignment of Independent Business Forms are available from Business Conduct & Rules. 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
5101 Spaulding Plaza
Ada, MI 49355-0001

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 Quixtar.

Partnerships Are Discouraged

We strongly discourage partnerships between individuals other than spouses 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. 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.
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.
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. 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 non-spousal partnership, Quixtar 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 Quixtar's books. They can, as between themselves, combine and divide on any basis they desire all bonuses received from their sponsor or Quixtar.

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

Military Base Restrictions

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 regulations 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.

Pyramid and Direct Selling Regulations

The IBO Plan is *not* a pyramid or chain distribution scheme. A pyramid is a scheme in which an

BUSINESS RULES & REGULATIONS CONT.

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 downline IBOs, registered Clients and Members, and other customers directly and through other IBOs in their sales organization, but *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 Quixtar's products may invite scrutiny under various state pyramid laws and be subject to disciplinary action.

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

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 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.

Quixtar 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 #5 or visit www.quixtar.com > Shop/Order > Business to Business > Material Safety Data Sheets. Please have the product stock number ready before making a call.

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

PRODUCT RULES & REGULATIONS

Price-Comparison Literature

IBOs occasionally produce their own price-comparison literature for use with customers.

Rules 7.2.2 and 9.8 require that all advertising be submitted to Quixtar 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 its ordinary candy bar with nutritious TRIM ADVANTAGE® Protein 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

Quixtar's products are to be sold only in their original packages and in their original formulations.

Most of Quixtar's product names, including ARTISTRY®, L.O.C.®, and SATINIQUE®, are registered trademarks of Quixtar or its parent, Alticor Inc. They are valuable assets to Quixtar 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, Quixtar 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).

FDA regulations also dictate strict manufacturing conditions under which products are packaged to ensure the products do not become contaminated. Quixtar 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 Quixtar's promotional efforts.

Observing Product-Content Laws

Quixtar has a variety of products with differing formulations manufactured by its affiliate, Access Business Group LLC, 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.

E-mail: product.support@quixtar.com.

PRODUCT RULES & REGULATIONS CONT.

Product Liability Protection

1. Types of Damage Covered

We purchase product liability insurance to protect both you and us from damages which may be caused by *defective* 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.

2. 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 customer 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.

3. Procedures for Handling Complaints

1. Ask the customer to explain how the damage occurred. Be sure to obtain the name of the product and when the damage occurred, then write down the name, address, and phone number of the customer.
2. Do *not* say that Quixtar will pay for the damage. Simply state that Quixtar will contact them regarding the damage.
3. Ask the customer to keep the product and the damaged article.

4. Call or write us with the information, and we will deal directly with the customer. Call or write:

Quixtar Inc.
Product Liability Claims
5101 Spaulding Plaza
Ada, MI 49355-0001
616-787-6896
E-mail: product.liability.claims@quixtar.com

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 Quixtar's Legal Division.

Security Products Regulations

A number of states have laws that regulate the sale and installation of home security systems and accessories, as well as regulate the conducting of security surveys of the premises. Quixtar's First Alert Professional® Program is designed as a referral program in which IBOs refer interested customers to a licensed First Alert Professional dealer 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 dealer, 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 Professional 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 customers. Only one license per independent business is required. Products from Quixtar that are classified as Class C pesticides in the State of Vermont are:

HOURGUARD® Insect Repellent 12
HOURGUARD Insect Repellent 8
PURSUE® Disinfectant Cleaner
Quick-Killing Bug Spray
PURSUE Broad Spectrum Disinfectant/
Deodorizer Spray
PURSUE Foam Cleaner
Bowl Cleaner II
PURSUE Germicidal Concentrate

The fee for the Retail License Application. Class C Pesticides License is \$20; it must be renewed annually. Applications may be obtained from:

Vermont Department of Agriculture,
Food & Markets
116 State Street
Montpelier, VT 05602-2901
802-828-2436

or check Laws/Regulations on the State of Vermont Web site: www.state.vt.us/agric

Iowa Groundwater Protection Act

In Iowa, a portion of the Groundwater Protection Act requires that sellers merchandising products that 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.

Quixtar has purchased a blanket permit that covers the sale of such company-produced 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 customer 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 filters, gasoline and 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 of Natural Resources booklet, address your request to:

Land Quality and Waste Management
Assistance Division

Iowa Department of Natural Resources
502 E. 9th Street
Wallace State Office Building
Des Moines, IA 50319-0034
515-281-8895

or see the State of Iowa Web site:
www.state.ia.us/dnr.

For free copies of Quixtar's products list, contact:

Quixtar Inc.
Products and Services
5101 Spaulding Plaza
Grand Rapids, MI 49355-0001
616-787-6279
E-mail: product.support@quixtar.com

Water Treatment System Regulations

If you market 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.

PRODUCT RULES & REGULATIONS CONT.

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 Quixtar's Products and Services Department at 616-787-6279.
E-mail: product.support@quixtar.com

Be sure to use only official Quixtar literature when selling our water treatment products and only Quixtar-approved advertisements.

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 first obtain one or more licenses:

1. If an IBO provides a "recommendation" for a specific "agricultural use" of a pesticide in California, or if the IBO solicits pesticide product sales or gives advice on how to use pesticides for "agricultural use" by telephone from their office location or in person away from that office, then the IBO must obtain an "agricultural pest control adviser" license;
2. Even if an IBO does not meet the conditions set forth in 1. above, if an IBO sells pesticide products from their office or otherwise sells pesticide products to end users for an "agricultural use," then the IBO must obtain both a "pest control dealer" and a "pest control dealer designated agent" license.

However, if an IBO sells pesticides exclusively to customers for their own personal use at home and not for "agricultural use," these licenses are not typically required. Evaluate your own actual business practices to see if you need one or more of these licenses. For instructions on the requirements for these various licenses, as well as application forms, consult the California Department of Pesticide Regulation by going to www.cdpr.ca.gov/docs/license/liccert.htm, the department's licensing information Web site. You can also call the department with specific licensing questions at 916-445-4038, or otherwise contact them at:

California Department of Pesticide Regulation
1001 I Street, P.O. Box 4015
Sacramento, CA 95812-4015
Tel: 916-445-4300 or Fax: 916-324-1452
www.cdpr.ca.gov/docs/license/lictypes.html

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.

RULES OF CONDUCT

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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.

Quixtar 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 Reference Guide*; (3) *Notice of Intent to Continue* (SA-469 or equivalent) (*Renewal Form*); (4) the *Order-Authorized IBO Form* (SA-150 or equivalent), and (5) any other official Quixtar literature or communications.

From time to time, the contents of these documents are changed. Quixtar will, prior to final action, submit to the IBOA International 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, Quixtar is not required to present matters subject to any governmental order, regulation, or law. However, Quixtar will exercise its best efforts to notify the IBOA International Board of such changes required by governmental order, regulation, or law. Final decision-making authority with respect to these matters rests with Quixtar. Upon final notification by Quixtar with respect to those changes presented to the IBOA International Board, such changes will be communicated to all IBOs in a timely manner in official Quixtar literature, and shall become effective upon publication. In order to preserve the goals and purposes of the IBO Plan, Quixtar 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 Quixtar 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 IBOA International Board for further discussion, evaluation, and recommendation.

Note: Headings: The headings of the sections, paragraphs, and subparagraphs 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 Quixtar Inc. and Quixtar Canada Corporation or any of their affiliates, subsidiaries, and related companies, unless otherwise specified.

2.2. Independent Business (IB) shall refer to an IBO entity operated as a 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 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. IBOA International Board shall refer to the Independent Business Owners Association International Board.

2.8. IBOA International shall refer to the Independent Business Owners Association International for Quixtar-affiliated IBOs.

3. Becoming an IBO

3.1. Registration Form and Registration Pack:

To become a duly authorized IBO capable of merchandising the Corporation’s products and services and registering other IBOs, an applicant must complete and sign the *IBO Registration Agreement* and possess only the Business Services and Support portion of the Registration Pack. IBs shall be formed initially by the individual applicant(s) as sole proprietor(s), or as non-formal (husband and wife) partners. The *IBO Registration Agreement* must be sent to, and accepted by, the Corporation for authorization in accordance with the provisions of Rule 3.5. 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.

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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 parents' 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 Agreement*. 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. Electronic Signature Authorization: A registration shall be considered accepted by the Corporation when it receives a completed and signed *IBO Registration Agreement* and its contents are verified with the Corporation's IBO records database.

A registration completed via telephone temporarily authorizes the IBO to conduct business subject to the Rules of Conduct, pending the Corporation's receipt of the IBO's completed and signed *IBO Registration Agreement* within 30 days. A registration completed electronically via the Internet Web site shall be considered accepted by the Corporation upon completion of the registration process and issuance of a registration confirmation and receipt. Internet-registered IBOs are immediately authorized to conduct business, subject only to their Sponsor's right to object to any unauthorized registration for 30 days after notification of the same.

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, provided however, the Corporation may extend this initial authorization period to begin August 1 from time to time as provided for in official Corporation publications. 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.

3.8. Notice of Intent to Continue: In order to remain an IBO, an IBO must annually file a *Notice of Intent to Continue* (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 online 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.

IBOs who have reached the level of Group Leader (e.g., Silver Producer, Gold Producer, Platinum, or Ruby, etc.) will be automatically renewed should an *Intent to Continue Form* not be received at the Corporation by December of each year with payment being deducted from their Performance Bonus.

3.8.1. Renewal Eligibility Repealed.

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 may 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 Rule 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 who 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 Form* (IBO).

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.

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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 Agreement* (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 that 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.

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 Agreement* (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 that 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 Reference

Guide/Duty of Good Faith: At all times, IBOs must adhere strictly to the guidelines, systems, procedures, and policies stated in the Corporation's *Business Reference Guide* 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. As such, an individual who is subject to the Rules of Conduct whether he or she is acting on his or her own behalf or on another person or entity's behalf may not engage in any conduct that violates these Rules. All IBOs are charged with the duty of good faith and fair dealing under the terms of this contract.

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 products and services from the Corporation 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 these products 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

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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 products, information about services, or literature from 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 product from the Corporation that 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 products from the Corporation or products distributed by the Corporation,
- 4.4.3.** state that products from the Corporation 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 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 products from the Corporation.

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 that (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 IBOA International 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 (1) is prohibited by federal, state, or local law or regulation, or (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 IBOA International 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 Reference Guide* 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.

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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, STORE FOR MORE™ 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 that are in the possession of the IBO.

4.17.3. 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.

4.17.3.1. In such cases, the Corporation reserves the right 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. The Corporation also reserves the right to negotiate with the trustee in bankruptcy or responsible court official concerning arrangements for the disposition of the IBO's ownership interest in the IB.

4.17.3.2. If as a result of bankruptcy an IB is sold, assigned, or otherwise transferred, in part or whole, such sale, assignment, or transfer shall not become final and no changes in ownership shall be implemented until such has been approved by the Corporation. In determining whether or not to approve such sale, assignment, or transfer, the Corporation shall consider, without limitation, the following factors:

4.17.3.2.1. The Buyer's expertise in the business and demonstrated knowledge of the IBO Plan and business opportunity;

4.17.3.2.2. The Buyer's understanding of the Rules of Conduct and willingness to abide by them;

4.17.3.2.3. The Buyer's resources to operate the seller's IB and ability to provide necessary downline training and support;

4.17.3.2.4. Any relevant market factors that may impact the Buyer's operation of the IB, including their relationship with the Line of Sponsorship;

4.17.3.2.5. Whether the Buyer is currently engaged in any dispute or possesses any conflict which may impact their ability to operate seller's IB.

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. Member/Client Volume: In order to obtain the right to earn a Performance Bonus on downline volume during a 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.

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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 may not retain or will be denied his or her Performance Bonus that month on downline volume. 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 someone 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 Reference Guide*.

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 numbers, etc.) or business information (e.g., addition/deletion of partner, change of business status, etc.) to the Corporation.

4.27. Privacy and Confidentiality: All IBOs are required to abide by the Corporation's Privacy Policy with regard to IBO, Member, and Client information and its Confidentiality Policy with regard to IBO and IB information.

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 BSM 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 qualified Platinum (or higher pin) to have this done, in which case he or she must be willing to compensate his or her currently qualified Platinum (or higher pin) 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 qualified Platinum (or higher pin) to have this done, in which case he or she must be willing to compensate his or her currently qualified Platinum (or higher pin) 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 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.

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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 cost at the time of purchase including surcharges, if any, less the Performance Bonus (on the BV associated with the products) paid by the IBO to the purchasing IBO during the month the products being returned were purchased, less a service charge equal to 10% of the IBO Cost of the products being returned for handling, F.O.B. sponsor's office.

5.3.6.1.2. This Rule is not intended to prohibit buy-back or exchange of products, literature, or merchandising and business-building aids upon mutual agreement between an IBO and one of his or her personally registered IBOs under circumstances other than those wherein an IBO has elected to resign.

5.3.6.2. If the departing IBO is unable to secure buy-back of products and/or literature and/or merchandising or business-building aids through his or her upline IBO, he or she may then write directly to the Corporation with full details, including a list of unused currently marketable products and unused currently marketable literature and merchandising or business-building aids.

5.3.6.2.1. After receiving written approval, he or she will be sent a *Returned Merchandise Authorization Form* (SA-112). He or she may then ship his or her products and/or literature and merchandising or business-building aids to the Corporation together with the completed SA-112 form, whereupon the Corporation will remit a refund to him or her directly.

5.3.6.2.2. The Corporation will then make all appropriate Performance Bonus differential and Leadership Bonus charges to those IBOs who originally received them.

5.3.6.2.3. The Corporation will also charge freight costs incurred by the resigning IBO if the net reimbursement includes same.

5.3.6.2.4. The Corporation will also charge a service charge equal to 10% of the IBO Cost 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 Reference Guide*.

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 Corporation, but not paid directly to an IBO by the Corporation, is promptly processed and redistributed.

5.4.2.3. Conduct or provide access to periodic sales meetings for the purpose of training and inspiring the IBOs who are in their Personal Group and maintain frequent mail or phone contact with all IBOs in their Personal Group.

5.4.2.4. Enforce the Rules of Conduct, as described herein and in other Corporation manuals, in their Personal Group.

5.4.2.5. Protect the registration rights of each IBO in the Group.

5.4.2.6. Obtain properly completed *IBO Registration Agreements* from all persons in their Personal Group. This responsibility also applies to annual *Intent to Continue Forms*.

5.4.2.7. Train the IBOs in their Personal Group in the operation of the Satisfaction Guarantee on products and services sold to Members and Clients as stated in the *Business Reference Guide* and Rule 4.7.

5.4.2.8. If a Platinum IBO is unable or unwilling to service his or her downline IBO with the proper supply of products, training, or motivation, he or she must make arrangements in writing with his/her first upline qualified Platinum (or higher pin) to have this done, or, if this cannot be done, with any other qualified Platinum.

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.

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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 Agreement* which may be obtained from the Corporation. When the Corporation receives an *IBO Registration Agreement*, 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. Notwithstanding the above, accepting payment of bonuses earned prior to the beginning of the inactivity period shall not be deemed activity.

6.4.2.7. For purposes of this Rule, the following shall not constitute activity and do not, therefore, interrupt the running of the 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, 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, 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 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 order of priority stated below. In the event that a partial ownership interest is sold, and not the entire IB, the dissolution procedures contained in the Rules shall first govern such transaction.

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 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;

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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 that 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 by date of implementation;

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, but not more than 24 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 will be met no later than the implementation date, the Legal & Ethics Committee of the IBOA International 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 IB 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 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

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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 separate IB in accordance with the following provisions:

6.10.3.1. IBOs at any level of achievement may choose one of the following two options:

6.10.3.1.1. The parties may agree to continue to operate their IB in the form of a partnership or corporation even though they are no longer husband and wife. In such a case, however, they must enter a formal written partnership agreement or a shareholder agreement that defines their respective rights and obligations and file an executed copy of same with the Corporation.

6.10.3.1.2. One former spouse may completely relinquish all rights in the original IB, including all registered IBOs, to the other former spouse, at which time the withdrawing party is free to immediately (a) sign as an IBO under his or her former spouse, (b) register as an IBO under his or her original Sponsor, or (c) register as an IBO with a completely different Sponsor of his or her choosing.

6.10.3.1.3. IBOs who are qualified at the Platinum level or above may also divide their business with one spouse 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 former spouse maintaining all, some, or none of the remaining IBs. The spouse maintaining any currently qualified legs or any IBOs recognized within the past two years as a Group Leader, will be registered by the spouse maintaining the non-qualified/non-group leader legs. All bonuses will be paid in the normal manner on the merits of each spouse's individual IB.

In order to be permitted to divide their IB as discussed above, the divorcing parties must put their request in writing signed by both parties, and such request 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 at the time of divorce may divide their IB, thereby creating two separate IBs, one of which may be sponsored by the other, in which case a "phantom IB" will be imposed over their separate IBs. Under the "phan-

tom IB” arrangement, regardless of how the parties may split their IB and regardless of the fact that one may sponsor 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 IBO(s) in accordance with the IBO Plan. The responsibility for fulfilling minimum bonus guarantees as between the IBs of the former spouses will be allocated 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 continues 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 sponsored IBO 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 all checks before they are 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 that their former pin level entitled them for one fiscal year following the fiscal 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 fiscal year in which the divorce occurs and one fiscal year thereafter. In the second fiscal 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:

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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 con-

tact 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 at the time of partnership dissolution may divide their IB, thereby creating two separate IBs, one of which may be sponsored 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 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 will 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.

Consequently, the IB of one former partner is not permitted to earn a Leadership Bonus or a Monthly Depth Bonus on the volume of the IB of the former partner. Only one Leadership Bonus and one Monthly Depth Bonus will be paid, and such bonus will be paid to the appropriate upline IBO(s) in accordance with the IBO Plan. The responsibility for fulfilling minimum bonus guarantees as between the IBs of the former partners will be allocated in accordance with the IBO Plan.

Even though the original IB is divided into two separate IBs, the Corporation will, if the former partners request, recognize both newly created IBs as a single entity for purposes of determining *annual* bonuses. Thus, the "phantom IB" arrangement continues the previously existing IB for purposes of

calculating and paying higher award level bonuses to the original partners. If one former partner registers the other, the downline sponsored IBO at maximum Performance Bonus level will not count as a qualifying "leg" for award purposes. The Corporation will issue *annual* bonus checks in the joint names of the former partners, leaving it to them to determine how the funds are to be divided. The former partners must agree that both will endorse all checks before they are deposited or cashed and that the former partners will indemnify the Corporation against any claim by any other as to any improper registration or misappropriation of the bonus proceeds.

Whenever an Emerald or above IB is divided between former partners, the former partners are permitted to attend any function that their former pin level entitled them for one fiscal year following the fiscal year in which the partnership dissolution occurred. For example, two individuals will be permitted to attend either Diamond Club or Executive Diamond Council functions during the fiscal year in which the partnership dissolution occurs and one fiscal year thereafter. In the second fiscal year, neither 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 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 and permit the former partners to operate separate IBs, the Corporation requires that the parties provide (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 heirs who are ready, willing, and able to become an IBO and assume the responsibility of the direction of the IB, or if that IB is terminated, 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 aids such as books, magazines, flip charts and other printed materials, online literature, Internet Web sites, audio and video media, rallies, meetings and educational seminars, and other types of materials designed to assist IBOs in building their businesses, which are not offered by the Corporation ("Support Materials" or "SM"). Materials relating to prospecting, the Sales Plan, motivation and/or administration, and management of the IBO's business are referred to as Business Support Materials ("BSM"). Products and materials support the sale of products or services offered through the Corporation are Product Support Materials ("PSM") as defined and governed by Rule 7.10. SM are entirely optional and IBOs who choose to sell, purchase, or utilize such SM must comply with this Rule. IBOs who choose to sell or distribute SM must emphasize that the purchase of SM is strictly voluntary; no IBO may ever require another IBO to purchase any SM. IBOs may not sell SM to prospects, including Members or Clients. Authorized PSM may be sold to IBOs, Members, and Clients, but only in accordance with Rule 4.14 and 7.10.

The Corporation does not endorse the representations made in any SM. 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:

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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 BSM that contain any presentation, explanation, or illustration of the IBO Plan, or any part thereof unless expressly authorized by the Corporation as provided herein. This includes IBO Sales Plan training material. The content of BSM 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. Reserved

7.2.3. IBOs may produce BSM 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 BSM which are deceptively similar to literature or material published and distributed by the Corporation to its IBOs or that 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 BSM to IBOs shall be in accordance with the following procedures:

7.5.1. IBOs who agree to make future purchases of BSM through standing order or similar arrangements (i.e., arrangements that 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 BSM 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 that relate to BSM 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 BSM. The use of BSM in connection with your business is voluntary and must always be in compliance with the 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 BSM 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: *"We have a continuing interest in you and your business. This special message is to help you evaluate expenses which relate to BSM 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 BSM. The use of BSM in connection with your business is voluntary and should always be in compliance with the Corporation's Rules of Conduct."*

7.5.3. IBOs who choose to sell BSM 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. BSM shall contain the following or substantially equivalent language:

"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 BSM. The Corporation will only honor the Satisfaction Guarantee with respect to its own materials. The terms of the refund policy adopted by an IBO selling BSM, 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. Only the BSM end user is eligible for the terms of the BSM Buy-Back Policy described herein. IBOs who sell BSM and who may have stock for other than personal use, are subject to the return policies agreed to with the individual from whom they purchase.

Upon request, an IBO who sells BSM 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 the purchase if a buy-back of BSM is demanded.

7.7. Limiting Expenditures: Each IBO who chooses to purchase or sell BSM must ensure that the quantity and cost of BSM are reasonably related to the sales volume and profits of that IBO.

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.

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.

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7.10. Product Support Materials: Product Support Materials (“PSM”) are materials and products that some IBOs make available, such as literature, audio-visual and other materials, and products intended to be used to support the sale of Quixtar products and services. Only PSM that have been authorized in advance by the Corporation may be sold. The Corporation shall use set and published criteria to determine whether a PSM should be approved. Once PSM are authorized by the Corporation, IBOs may offer them for sale to Members, Clients, and other IBOs unless otherwise restricted. Sale of PSM to other IBOs must be in accordance with the terms and conditions of Rule 4.14 governing other selling activities.

7.10.1. IBOs may produce PSM exclusively relating to the uses of product offered by the Corporation, characteristics of the products offered by the Corporation, and/or performance of products offered by the Corporation. Such materials must be authorized by the Corporation prior to being produced, sold, or distributed by IBOs. IBOs who have received authorization from the Corporation to use the PSM in accordance with these Rules of Conduct shall place on the PSM the following legend or its equivalent: “Content Reviewed,” followed by the content review identification number. Content-reviewed PSM may be sold to IBOs for use with Members and Clients without receiving authorization under Rule 7.10.

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 the Corporation’s business, IBOs, or products and services merchandised through the Corporation are part of any business other than the Corporation, as defined in the Rules of Conduct.

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 that 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 comply 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.

8.3.13. An IBO must not misrepresent the relationship between Quixtar and the other companies affiliated with Quixtar.

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 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

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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 office 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 reordering 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 fundraising, 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. Any privately produced material for handouts or display must be sent with the booth request for approval.

9.5.1.5. 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
"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," 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.

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.

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(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 upline 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 arrangements to transfer their property via a will or trust.

10.1.4. 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 IBOA International Board Hearing Panel ("Hearing Panel") and the IBOA International Board.

11.1.5. The IBOA International 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 IBOA International 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 viola-

tions 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 resolve 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 IBOA International 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 IBOA International Board. Members of the IBOA International Board who are serving on the Legal & Ethics Committee do not serve on a Hearing Panel. The IBOA International 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.

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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 IBOA International Board may, at its discretion, delegate any requested review to the Legal & Ethics Committee. The IBOA International 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 IBOA International 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 IBOA International 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 an opinion or clarification from the Legal Division.

11.3.3. Step 3: Upon receipt of the Hearing Panel or IBOA International 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 IBOA International 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 IBOA International Board.

11.4. Resolutions, Remedies, and Sanctions:

Any resolutions, remedies, and sanctions recommended by the Hearing Panel or the IBOA International 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 IBOA International 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 downtime, 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.

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 transaction 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 IBOA International 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.

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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 es-

tablished 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 IBOA International. 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. 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.
Attn: Arbitration Specialist
Two Embarcadero Center
Suite #1100
San Francisco, CA 94111

Additional questions shall be directed to the Arbitration Specialist:

415-982-5267
www.jamsadr.com

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 IBOA International 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 IBOA International Board,

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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 IBOA International.

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.

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.

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 simi-

lar 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

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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.

11.5.31. Confidentiality of Proceedings and Hearings

Once a Demand or submission has been sent, the arbitration process shall remain confidential. No party to the claim shall disclose to any other person not directly involved in the 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 in the arbitration; or (c) the terms or amount of any arbitration award. The Arbitrator shall maintain the confidentiality of the hearings and the proceeding and shall have the authority to make appropriate rulings to safeguard confidentiality, unless the law provides to the contrary.

11.5.32. Postponements

The Arbitrator: (1) may postpone any hearing upon the request of a party for good cause shown; (2) must postpone any hearing upon the mutual agreement of the parties; and (3) may postpone any hearing on his or her own initiative.

11.5.33. Oaths

Before proceeding with the first hearing, the Arbitrator may take an oath of office and, if required by law, shall do so. The Arbitrator may require witnesses to testify under oath administered by any duly qualified person, including the Arbitrator, and, if it is required by law or requested by any party, shall do so.

11.5.34. Order of Proceedings and Communication with Arbitrators

A hearing shall be opened by: (1) filing the oath of the Arbitrator, where required; (2) recording the date, time, and place of the hearing; (3) recording the presence of the Arbitrator, the parties, and their representatives, if any; and (4) receiving into the record the Demand and the Answer, if any. The Arbitrator may, at the beginning of the hearing, ask for statements clarifying the issues involved.

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 contract, the Arbitrator may reopen the hearing and shall have thirty (30) calendar days from the closing of the reopened hearing within which to make an award.

11.5.42. Waiver of Oral Hearing

The parties may provide, by written agreement, for the waiver of oral hearings in any case. If the parties are unable to agree as to the procedure, the Arbitrator shall specify a fair and equitable procedure.

11.5.43. Waiver of Objection/Lack of Compliance with These Rules

Any party who proceeds with the arbitration after knowledge that any provision or requirement of these rules has not been complied with, and who fails to state objections thereto in writing, shall be deemed to have waived the right to object.

11.5.44. Extensions of Time

The parties may modify any period of time by mutual agreement. The Administrator or the Arbitrator may for good cause extend any period of

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time established by these rules, except the time for making the award. The Case Administrator shall notify the parties of any extension.

11.5.45. Serving of Notice

Each party shall be deemed to have consented that any papers, notices, or process necessary or proper for the initiation or continuation of an arbitration under these rules; for any court actions in connection therewith; or for the entry of judgment on an award made under these procedures, may be served on a party by mail addressed to the party or its representative at the last known address or by personal service, in or outside the state where the arbitration is to be held.

The Case Administrator and the parties may also use facsimile transmission, telex, telegram, or other written forms of electronic communication to give the notices required by these rules, provided that the Case Administrator shall use a means that provides proof of delivery when giving notice of the filing of a Demand.

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 D-52) 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 said fees shall be deducted from any award received by the indigent party.

Whenever a party seeks to appeal the Fund Administrator's determination that he or she does not qualify for indigent status, the party shall notify J.A.M.S/Endispute immediately, who shall place the matter before the Arbitrator for decision

immediately upon his or her appointment. In all such cases, the Fund Administrator shall pay any filing fee that would otherwise be required of the requesting party, subject to reimbursement by the requesting party in the event that the Arbitrator denies the appeal. The Arbitrator shall decide the question solely upon a review of the affidavit submitted by the requesting party and any other documents submitted by the parties and the Fund Administrator. The Arbitrator's decision on this question shall be final. If the Arbitrator denies the requesting party's appeal, then the requesting party shall be required to make payment of all such fees and costs.

Fees/Costs Schedule

11.5.54. Fees and Costs in General

The fee schedule in effect at the time the demand for arbitration or submission agreement is received, shall be applicable. Unless the parties agree otherwise, all fees and costs are subject to allocation by the Arbitrator in the award.

Any arrangement for the compensation of an Arbitrator shall be made through the Case Administrator and not directly between the parties and the Arbitrator. Payment of the Arbitrator's fees and expenses shall be made by the Case Administrator from the fees and moneys collected by the Case Administrator for this purpose.

11.5.55. Filing and Case Management Fees

A non-refundable case management filing fee of \$300 shall be paid by the initiating party or parties at the time the matter is filed with the Case Administrator.

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.

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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.

12. 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.

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.

Exhibit A

Affidavit in Support of Proceeding Without the Prepayment of Costs or Fees

Arbitration Case # _____

_____ v. _____

I, _____ being first duly sworn, depose and say that I am the _____ in the above entitled arbitration; that in support of my request to proceed in this arbitration without being required to prepay fees, costs, or give security therefore, I state that because of my poverty I am unable to pay the costs of said proceeding or to give security therefor; that I believe I am entitled to redress; and that the issues which I desire to present are the following:

I further swear that the responses which I have made to the questions and instructions below relating to my ability to pay the costs of arbitration are true:

1. Are you presently employed?

- a) If the answer is yes, state the amount of your salary per month and give the name and address of employer.
- b) If the answer is no, state the date of your last employment and the amount of salary and wages per month which you received.

2. Have you received within the past twelve months an income from a business, profession, or other form of self-employment, or in the form of any rent payments, interest, 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 relationship to those persons.

I understand that a false statement or answer to any of the questions in this affidavit will subject me to penalties for perjury.

Affiant's Signature

Date

Subscribed AND SWORN TO me this _____ day of _____, (year)_____.

Let the applicant proceed without prepayment of costs or fees or the necessity of giving security therefore.

Fund Administrator

Arbitrator

Section Contents

GlossaryE-2

Terms and Abbreviations

GLOSSARY

As with most business organizations, Quixtar has many unique names and common terms. To help you “learn the language,” we've prepared the following glossary of terms and list of common abbreviations.

A

ACHIEVE® Magazine

The magazine *for IBOs about IBOs* and their achievements.

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 are given at the time of the order and the charge takes place when the item is shipped.

Award Volume

Includes an IBO's Personal Volume, pass-up from all 25% Group Leaders, and all downline Associate IBOs' volume. This volume does *not* include the volume from 25% IBOs above a maximum Performance Bonus level. 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 for a short period of time, it is placed on B/O status. Back order items are held for 60 days before the B/O is canceled. The money is refunded and PV/BV reduced.

Bonus Bracket

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

Business Information Services

This department provides information to IBOs on the Independent Business Ownership Plan, qualifications, special promotions, product PV/BV, pricing, servicing arrangements, literature, and ordering.

Business Relations (BR)

The Business Relations Department handles questions about promotions regarding products and services, day-to-day inquiries, and all aspects of the Independent Business Ownership Plan.

Business Support Materials (BSM)

Some IBOs independently produce and distribute motivational and/or training aids available for purchase by other IBOs, which may include books, magazines and other printed materials, audio tapes, video tapes, software, Web sites, Internet services and other electronic media, rallies, meetings, and educational seminars.

Business Support Materials Arbitration Agreement (BSMAA)

Included in the Registration Pack, the BSMAA takes the same arbitration procedures used with disputes relating to the Quixtar business and applies them to any disputes involving separate BSM-related issues. Your trade association, the IBOA International, requests that each IBO sign the BSMAA with their Sponsor.

Business Volume (BV)

Every product sold has an established BV amount, a dollar figure that 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

See Rule 5.3.6 of the Rules of Conduct. 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.

GLOSSARY

BV/PV Ratio

The average from Home, Health, and Beauty products as of Sept. 1, 2002, is 2.70. The average for all other products is 2.00.

C

Choices Catalog

All coreline products, their descriptions, and pricing are found in this publication.

Client

A retail customer registered with Quixtar who has the ability to purchase directly.

Coreline Products

Company-produced products found in the *Choices Catalog* (as opposed to third-party manufactured products found in the *STORE FOR MORE™ Catalog*).

D

Delayed Ship Order

An 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 up to 30 days, along with charges, until his/her next scheduled ship day.

Depth

Anyone in your group that 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.

Downline

The IBOs who make up your group. Includes the IBOs you personally register, plus people who they register as well.

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.

F

Foster Sponsor

When sponsoring internationally, this is an IBO authorized to conduct business in that market who provides the IBO you have sponsored with products, training, and motivation.

Founders Achievement Award (FAA)

An incentive program for IBOs that rewards IBOs for their global business contributions.

Front Line IBO

The IBOs you personally register. IBOs increase their front line by continuing to personally register new IBOs.

G

Group

The IBOs you personally register in addition to all IBOs registered by those people, and so on down to the first Silver Producer, Gold Producer, or Platinum.

Group Volume

An IBO's Group volume as well as the volume generated by his downline group through Pass-up Volume.

GLOSSARY

IBO Cost

The price at which IBOs purchase merchandise from Quixtar.

IBO Number

Each Independent Business Owner is assigned an IBO number to identify their business. Your IBO Number should be included in all correspondence and when ordering.

I-commerce

A business model pioneered by Quixtar, I-commerce is the convergence of four key elements: the Internet, the individual, the infrastructure of Quixtar, and independent business ownership.

Independent Business

An IBO's business.

Independent Business Owner (IBO)

Individual(s) authorized to own and operate an Independent Business pursuant to a contractual relationship with Quixtar.

Independent Business Owners Association International (IBOA International)

The IBOA International is a trade association for IBOs, which through its Board, provides a channel of communication with the Corporation on key issues affecting the business.

Independent Business Owners Association International Board (IBOA International Board)

The governing body for the IBOA International.

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 Owners Benefits Association (IBOBA)

An IBO is automatically eligible to participate in the IBOBA, a non-profit association that offers valuable business liability and property protection at the favorable group rate of \$5 annually. This amount is included in the price of your Annual Business Fee. If you do not wish to take advantage of this coverage, you may send a refund request to Quixtar.

Independent Business Ownership Plan (IBO Plan or SA-4400)

The business plan that provides the structure for an independent business supported by Quixtar.

International Sponsor

An IBO who sponsors a friend, relative, or associate living in another country.

Invoice Summary

A confirmation of an IBO's order activity for their personal and groups' business for an entire business month at a glance. The Summary includes: volume IBO, invoice number, type of order, ordering IMC, ship to IMC, order date, bonus period, PV, BV, tax, delivery service fee, total price, and total payment.

Leader

An IBO who personally sponsors a bonus recipient.

Leadership Bonus Adjustment (LBA)

A credit/debit amount used in calculating how much of the bonus rolled up to an IBO is applied to his or her bonus, and how much is rolled to his or her Sponsor.

GLOSSARY

Leg

When you register another IBO and begin to help that IBO create a group, that group is 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.

THE LOOP® Newsletter

The newsletter you need to stay current with new product introductions and business changes.

M

Material Safety Data Sheets (MSDS)

Documents available on the QUIXTAR® Web site that provide technical, health, and safety information about many coreline products.

Member

A registered customer, who for a fee may purchase products and services at preferred pricing and be entitled to an array of other member benefits.

Member-Client Volume Cost

The published IBO cost for all items on any orders sold to a Client or Member, or the actual price paid to Partner Stores by Clients or Members.

Member-Client Volume Requirement (MCVR)

See Rule 4.22 of the Rules of Conduct. In order to obtain the right to earn a Performance Bonus on downline volume, an IBO below the level of Platinum must have at least one sale to 10 different retail customers, or have at least 50 PV of sales, or have \$100 at Member-Client Volume Cost.

Monthly Depth Bonus Adjustment (MDA)

One of the factors used in calculating the Monthly Depth Bonus for each eligible IBO. The MDA is one-quarter of the published Leadership Bonus Adjustment.

N

Nutrilite

A division of Access Business Group. Located in Buena Park, Calif., Nutrilite manufactures dietary supplements. NUTRILITE® products were added to the product line in 1973.

P

Partner Stores & Services

Web sites accessed through www.quixtar.com where IBOs can earn PV/BV on their personal and customer’s purchases.

Pass-up Volume

PV/BV created by non-qualified IBO volume that continues to be passed up until combined volume reaches the 25% Performance Bonus level.

Performance Bonus

An IBO may earn a Performance Bonus each month based on total PV and BV of all products purchased during the month. This is a percentage bonus that varies according to an IBO’s total monthly PV. See Section A for more details.

Personal Identification Number (PIN)

A four-digit personal identification number assigned randomly by the Corporation’s computer to all bank draft-authorized IBOs. This is a confidential number known only to the IBO and is used to generate a bank draft payment or to obtain PV/BV estimates through the Volume Information Service.

GLOSSARY

Personal Volume

Volume from an IBO's own personally generated volume (PV) through orders placed with Quixtar.

Pin Level

As IBOs grow in the business, they progress to different award levels and receive various commemorative pins. Pin level represents the highest award level an IBO has attained.

Platinum Seminar

Upon qualifying at the level of Platinum for the first time, an IBO is invited to an all-expense paid two-day business conference at the Corporation's World Headquarters.

Point Value (PV)

Every product has an established PV number. An IBO's total monthly PV determines the percentage used for Performance Bonus calculations in accordance with the Performance Bonus Schedule.

Preset Delivery Charges

Some items, especially those that are heavy and/or oversized, have a preset delivery charge shown on the Web site and in the product catalogs.

Price Code

A three-section code (P, B, and Y) next to every product number that provides the PV, BV, and IBO Cost of that product.

Product Pricing Guide (SA-13)

The a stand-alone business publication that lists the retail price, PV, BV, and IBO Cost of products found in the *Choices* Catalog.

Product Support Materials (PSM)

See Rule 7.10 of the Rules of Conduct. Materials and products created by IBOs intended to be used to support the sale of Quixtar products and services. PSM are authorized in advance by the Corporation and may be sold to IBOs, Members, and Clients, unless otherwise restricted.

Prospect

An individual who is interested in becoming an IMC.

PV/BV Inquiry

IBOs can view their current account and their downlines' ordering activities via the Web site or by calling Volume Information Services (616-787-7500). This inquiry gives a view of 14 months of invoice activity data and personal PV/BV and ordering details. It also allows you to check on an invoice to see what products were ordered.

PV/BV Transfer

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

Q

Quixtar Growth Incentive (QGI)

A one-year program that provides additional incentives for qualified Diamonds and above who qualify for a Diamond Growth Incentive award.

R

Registration

Introducing others to the business and having them register as an Independent Business Owner, Member, or Client.

Residuals

Ongoing income an IBO can earn from sales of certain services, such as MCI WorldCom[†] long-distance.

GLOSSARY

Ruby Volume

Monthly volume used to determine a qualifying Ruby Bonus month. Ruby Volume includes all Personal Volume plus Pass-up Volume from downline non-qualified Silver Producers and Gold Producers. Ruby Volume does not include Platinum volume (qualified or non-qualified) or qualified Silver Producer and Gold Producer volume. Negative volume is included/applied.

S

Sales Incentive Program (SIP)

An incentive program for IBOs, which is reviewed and published annually by the Corporation.

Satisfaction Guarantee

We stand behind the quality of our products and guarantee your satisfaction. If for any reason you try our product and are not completely satisfied, you may return it within 180 days of purchase for an exchange or refund of the product price and applicable tax. (NOTE: Specific limited guarantees apply to designated products.) This satisfaction guarantee does not apply to IBO purchases for stock or inventory.

Service Centers

Product warehouses operated in California, Georgia, Hawaii, Michigan, Puerto Rico, Texas, and Washington. All coreline products and select catalog items are warehoused and delivered through a Service Center.

Servicing Arrangements

See Rule 5.3.4 of the Rules of Conduct. A Platinum or above, for a fee, will supply product and provide access to training meetings for another IBO's downline. A servicing arrangement is useful when Sponsors and new IBOs are geographically distant from one another and supplying the new

IBO with products and training is awkward and costly for the Sponsor. Business Information Services will help IBOs locate a servicing Platinum or higher pin. The IBOs make their own agreements regarding fees, which are typically 10% of BV. All PV/BV purchased through the Servicing IBO must be transferred back to the proper Line of Sponsorship every month.

Seventy Percent (70%) Rule

See Rule 4.18 of the Rules of Conduct. This rule reinforces the important philosophy that merchandising products is the foundation of the IBO Plan.

Six-Month Inactivity

See Rule 6.4 of the Rules of Conduct. This Rule describes the steps an IBO must follow to terminate his or her independent business and, following a lapse of a period of six or more consecutive months, register as a new IBO under a new Sponsor.

Sponsor

The individual who registers an IMC.

STORE FOR MORE™

The catalog and online store at www.quixtar.com from which IBOs, Members, and Clients purchase non-coreline products.

U

Upline

Your "upline" are those IBOs in your Line of Sponsorship who were registered before you.

W

WHAT YOU WANT™ Magazine

The lifestyle and products magazine.

ABBREVIATIONS

1099 – IRS Form 1099-MISC	MCVR – Member-Client Volume Requirement
AF – Air Freight	MDA – Monthly Depth Bonus Adjustment
ANS – Available Next Season	NAW – Not Available at this Warehouse
A/O – Advance Order	NCR – No Charge, Reorder
AOS – Advance Order Shipped	NCS – No Cost Shipment
A/R – Accounts Receivable	NLA – No Longer Available
B/O – Back Order	NSF – Non-Sufficient Funds (returned check)
BOS – Back Order Shipped	NYA – Not Yet Available
BIS – Bonus Information Summary	OS&D – Overages, Shortages, and Damaged Merchandise
BR – Business Relations	OTC – Over-the-Counter
BSM – Business Support Materials	PIN – Personal Identification Number
BSMAA – Business Support Materials Arbitration Agreement	PP – Postage Paid
BV – Business Volume	PPD – Postage Prepaid
CHG – Charge	PSM – Product Support Material
COD – Collect on Delivery	PV – Point Value
CRD – Credit	QGI – Quixtar Growth Incentive
EOM – End of Month	SA-4400 – Independent Business Ownership Plan
FAA – Founders Achievement Award	SHP – Ship
FC – Freight Collect	SIP – Sales Incentive Program
FP – Freight Prepaid	SKU – Stock Keeping Unit (stock number)
IB – Independent Business	SZ/CL – Size/Color
IBO – Independent Business Owner	TNA – Temporarily Not Available
IBOA International – Independent Business Owner Association International	UPS – United Parcel Service
IBOBA – Independent Business Owners Benefits Association	USPS – United States Postal Service
II – Insufficient Information (e.g., color/size on order)	
IMC – Independent Business Owner, Member, and Client	
ITC – Intent to Continue Form	
LBA – Leadership Bonus Adjustment	
LOS – Line of Sponsorship	



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