

The INDEPENDENT BUSINESS OWNERSHIP Plan

The Independent Business Ownership Plan provides the structure for an independent business supported by Quixtar.

Involvement

The Independent Business Ownership Plan involves three categories of individuals.

- Independent Business Owner (IBO): a person authorized to sell products and service Clients, register others as IBOs or Members, and upon qualification receive bonuses and participate in sales incentive programs.
- Client: a retail customer serviced by an Independent Business Owner.
- Member: a preferred-price customer with membership benefits.

Becoming an IBO

You become an Independent Business Owner by completing a Registration Form and paying an Annual Business Fee.

How Volume Is Calculated

The Independent Business Ownership Plan is structured with many levels of achievement, which are contingent upon the amount of volume your business generates.

The gross income¹ from your independent business is based on immediate income from retail markup, plus a Performance Bonus. This bonus is calculated from two sets of numbers – Point Value (PV) and Business Volume (BV) – assigned to each product. You earn PV and BV on products sold to Clients, Members, and other IBOs, and by purchasing the products for your own use.

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 an IBO (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 bracket.

In addition, the Performance Bonus is based not only on the PV/BV you generate by selling to Members and Clients, and by using the product yourself, but also on the PV/BV of the IBOs you have registered. Your Performance Bonus is calculated on this group volume less any bonuses earned by the IBOs you register. It's important to note that IBOs who register others generally have higher average volume than those who don't 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%

¹See Glossary



Quixtar *What a concept!*

Business Support Materials

Under the Rules of Conduct, all IBOs are responsible for training and motivating those whom they register. To assist you with your own training and motivation, as well as training and motivating others, some IBOs sell Business Support Materials (BSMs) independently of the company. These may include books, magazines and other printed materials, audio tapes, video tapes, software, Internet sites, and other electronic media, rallies, meetings, and educational seminars.

While the purchase of BSMs is always optional, you may decide that they can play a useful role in building a profitable independent business. However, no one may pressure you to buy or use such items, and your sponsor has an obligation to train and motivate you whether or not you choose to buy BSMs. In making your decision to purchase BSMs, you should use your own good judgment as to what is best for your independent business, considering among other things cost, benefit, and time commitment. Some IBOs earn income from the sale of BSMs apart from their earnings as IBOs. If you decide to purchase BSMs, you should execute a Business Support Materials Arbitration Agreement, which may be obtained from the company. This is provided in the Registration Pack or you can order SA-2033 or find it online at quixtar.com under Office > Business Info > Business Forms.

Glossary

"Active" IBOs: An independent survey of participants in the Independent Business Ownership Plan was conducted in April of 2001 to determine the average monthly gross income based on calendar year 2000 for "active" IBOs.* For this survey, an "active" IBO was one who attempted to make a retail sale, or presented the Independent Business Ownership Plan, or received bonus money, or attended a company or IBO meeting in the year 2000.

Retail markup: The difference between the amount you pay for products and their suggested retail price. Retail markup for Home, Health, and Self products in the *Choices* Catalog or from quixtar.com averages about 33% of your IBO cost, but varies with each product. Neither you nor your sponsor is required to follow the suggested retail markup or the suggested retail price, but you may do so if you wish.

Business Volume (BV): BV for Home, Health, and Self products averages 88% of suggested retail. BV for STORE FOR MORESM products averages 37% of suggested retail.

BV/PV ratio: The average for Home, Health, and Self products as of September 1, 2001 is 2.62. The average for products sold through STORE FOR MORE is 2.00. There is less PV on STORE FOR MORE products. Thus, if your product mix contains a lot of STORE FOR MORE products, your PV will be lower.

Gross income: The amount received from retail sales of products, minus the cost of goods sold, plus the amount of Performance Bonus retained. This does not include deductions for business expenses that, of course, will vary according to the manner in which each individual IBO operates his or her own business. There may be significant business expenses, mostly discretionary, that may be greater in relation to income in the first years of operation.

The Average Monthly Gross Income for "Active" IBOs was \$115.

*Approximately 66% of all IBOs of record were found to be "Active."



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