

“ISSUES, QUESTIONS AND ANSWERS”

By President & CEO James H. Ridinger

Market America is a product brokerage and Internet marketing company specializing in One-to-One Marketing and Mass Customization. There is no doubt that we lead the parade and provide the most powerful business opportunity available for average people! We have made our case. There is no doubt that Market America does things right, is the innovator and sets the example and pace for others to follow.

Any time you are out in front and winning, it will spawn competitive motives and criticism. The competition will always be chasing the leader. At the International Convention, I explained how, quite often, the potential chaos produced by such carping becomes like a toilet – it’s important that we don’t stick our head in it. However, it is equally important that we know the answers so that we are not in this position and can protect our people from these attacks by competitors.

The successful are always targets of carping by the envious and the underachieving, but it’s helpful to have the answers to questions and issues raised by these malcontents so you can handle their attacks and protect your organization from their devious ulterior motives. Pay close attention to the following information, for it lies at the heart of your business!

Why does the Company have so many requirements?

The short answer is because it makes the business work and it results in lasting success for Distributors who follow the system and meet the requirements. It results in building a strong and profitable business that will last. When you compare Market America to any traditional business or even a franchise, there are relatively very few requirements. The problem arises when people look at the business as a game or “MLM deal” (meaning multi-level marketing which is a different type of business model). They quickly find that this is a real business that is built to last, and are disappointed that they cannot manipulate the “rules” in their favor.

From the very beginning, we modeled our program after franchising, which is a proven business system that provides standardization and uniformity. It features requirements for doing things in order to duplicate a consistent and successful result. What is wrong with that? We eliminated the requirements of large start-up costs and franchise fees as well as the requirement of paying a monthly royalty. In fact, we do the opposite: We pay you weekly on the business you develop.

Of course, a person who is asking this question is quick to come back and point out that there are a lot of MLM companies that don’t have such stringent requirements. He or she claims it’s easier. But, I have an answer: We don’t compare ourselves to MLM companies or binary marketing companies because that is not the driving force behind our program. The driving force is One-to-One Marketing, rather than a recruiting game, selling

positions or inventory loading people with a closet or garage full of products, which is the economic dynamic behind most MLM programs.

History has proven that this approach does not work, and literally hundreds of companies have failed as a result of it. A Distributor operating under this system loses his or her “residual” income and credibility and has to start over. It is exactly these types of practices that have given the MLM industry a less-than-desirable reputation.

We are concerned with building a strong organization of Independent UnFranchise® Owners and Distributors who manage Preferred Customers for whom we find products. They, in turn, repeatedly beat the door down for more products. Using One-to-One Marketing and Mass Customization facilitated by the Internet, we are changing the way people shop. Frankly, if you don’t believe this, you don’t belong in this business. That is who we are and what we do. We use networking as a means to expand distribution and to repeatedly duplicate this concept.

It seems that only people with MLM backgrounds question the requirements, so let me offer the explanation that they need to understand. I developed the basic design and tenets of the marketing and compensation plan over a period of three years, two of which were prior to starting Market America. For another three years, working hand in hand with Market America’s Advisory Council, we fine-tuned it until we got in nearly perfect. The Plan had to be tested mathematically because it was not based strictly on finite mathematics

where you paid out a fixed percentage at the end of the month and then all volume flushed and you started over again.

The revolutionary concepts of volume accrual from weekly and monthly pay cycles created an entirely new mathematical model, which involved actuarial mathematics. This was further complicated by the fact that multiple people received credit for volume that was accruing month-to-month and there was an infinite search, rather than paying on a fixed number of levels. Multiple centers and the re-entry provision to multiply income added another layer of intricacy to an already complex model. In a way, it is similar to models used in the insurance industry, where strict requirements qualify a policy and premiums are rated according to the risk.

The controlling factors in the Marketing Plan are requirements and production ratios. To be compensated and accrue volume, each individual must carry his or her own weight to produce a threshold amount of volume that is regenerated monthly. They must also duplicate that with two other people. If you have a growing number of passive people who are not contributing to growth or new volume, but who are able to earn checks from someone else’s efforts and volume, you obviously would have more and more people earning on the same volume produced by others and on someone else’s efforts. If that were permitted, common sense dictates that the payout would not be constant and, in fact, would grow to exceed 100%.

It took years of tracking and evaluating the numbers to come up with the mathematical production ratios and requirements to make the Plan work. In the beginning, I thought that people would just do what was required because it was part of the Basic Five. Unfortunately, we found that you couldn't count on people doing these things without being able to track and enforce it, which required elaborate computer programs as well as administration and communication systems.

Equally important were the legal and regulatory questions. This new Marketing Plan didn't fit the traditional mold and raised many new questions concerning "passivity" because of the accrual of volume and because multiple people got credit for the same volume. Passivity can trigger security law violations and place stress on the Plan's mathematics. There were also concerns about abuse of the program to sell positions rather than retailing product, which, if not properly controlled, could trigger pyramid or consumer protection questions. I worked with some of the most experienced lawyers in these areas of law and actually visited with 32 different regulators to determine what was "Safe Harbor." This was all part of the fabric and basic constitution of the program.

It became apparent that the same things that were problematic mathematically were also problematic legally. So by solving one problem, we simultaneously solved the other. The other interesting observation was that the same things that made the Plan sound mathematically and legally resulted in a stronger business for each Distributor and more repeat volume of the lines of sponsorship, which meant everyone would earn more residual income. The residual income would last because the Company was sound financially and legally. Residual income is only as powerful as your longevity.

So we set out on a mission to lead the parade as the "model" company. History

would soon dictate that we were successful. Nearly 200 companies tried to copy our program. In fact, "binary" became the hottest trend. But they did not have requirements, were not retail driven, and did not have regenerated volume which, in my opinion, is what makes a binary or binomial expansion plan truly powerful and more profitable than any other plan. Regenerated volume or the "retail coefficient," which we define as the amount of repeat sales in each BDC on a monthly basis, causes a compounding effect of more people earning more frequently on more centers because multiple people get credit for the same volume and the accrual of volume. Without this, you need to recruit exponentially larger numbers of people at the bottom of the matrix or genealogy in order for the people further up the line to keep earning. After a while they can't bring in enough new people and the program begins to unravel and people stop earning.

We were severely criticized by the industry and competitors for strictly enforcing the requirements. They would sell against us telling our Distributors that their programs were better. Just as we predicted from our mathematical models, their plans began to implode because the payout would grow beyond 100%. It became apparent that we were the only company that really understood what we were doing. The only other company that had a binary plan that lasted over eight years was USANA, and that company changed its marketing plan twice to cut the payout in half. Throughout all of this, our payout has remained constant, increasing proportionately with sales. We have never changed the payout structure and we have paid every check on time for over 11 years.

While this was going on, the industry received a huge wake-up call. Several legal cases defined what was acceptable and what was not. Among these cases were the Webster vs. Omnitrition class-

action suit in the Ninth Circuit Appellate Court, the AuQuest case with the State of California and Monterey County suing AuQuest and bringing criminal charges against its officers, the FTC case against Jewelway, and the federal government case against Gold Unlimited, where they shut the program down and threw the principals in jail. A rash of regulatory actions followed in the wake of these cases, such as the Federal Government against Destiny Telecom and International Heritage. All this proved that what we were doing was right and absolutely necessary. The message was clear: You must retail product, and the majority of sales must come from those outside the program.

According to these rulings, not only did you have to base commissions on product retailing to a minimum of 70% non-program participants, but you had to monitor, document and enforce it (like our Form 1000). Of course, this was no problem for us because we were retail driven and had both retail activity and reporting requirements. These suits and regulatory actions also made it abundantly clear that one could not passively participate in a program. People had to demonstrate ongoing sales and supervisory functions and commissions were dependent upon their performance in program activities, otherwise the program would be considered a security. The bottom line is that nearly 200 companies that tried to copy some part of our program failed financially because of the math of their plans or they were put out of business by regulators because they did not do what Market America has always done since the beginning.

It's simply a matter of doing things right and building a real business built on bedrock rather than quicksand. That is why we have requirements and forms and enforce the policies. That is why we have thousands earning weekly checks.

It seems like the Company keeps making record profits while more people are losing checks. Doesn't this show that the Company wants people to lose checks so the Company can make more?

What convoluted thinking! First of all, people don't lose checks; they fail to meet the requirements to earn them. If a football player drops the ball in the end zone, he doesn't score a touchdown. He can blame it on anything he wants. Every game,

every system, every business, and every marketing plan has rules and limiting factors.

Secondly, people are earning more than ever, there are more checks being paid than ever before, and the number goes up

every month. So, I don't know where this notion even comes from.

Thirdly, the Company doesn't make more be people losing checks. This demonstrates a lack of understanding of the pay plan. Someone else got paid on

that volume, and it's in the system for others who meet the requirements. The requirements have to be met by everyone within the required boundaries and time limits. When they don't meet them, they have not qualified to earn and they are out of the system to earn on that volume. But others have already earned, and there are those who have met requirements accruing that volume, so the notion that the Company does not pay on that volume is erroneous.

If everyone earned a check (\$1,500) every week, the volume would be there to support it along with active Distributors who are sponsoring to activate and producing regenerated volume from customers. Problems occur when people beat the requirements and qualifications and undermine the system through multiple earnings on the same volume without legitimately meeting the volume, sponsoring, and activity requirements.

I think this concern refers to the fact

that the Company's profits steadily increase on the financial statements, but the commission figure, as a percentage of the gross revenue decreases. That doesn't mean we paid less in commission. The commission payout, as a percent of BV, remains constant; in fact, it went up slightly. Because we have more Distributors and more volume, the commission figure, as a percentage of gross revenue, went down. Remember, not all revenue is BV or commissionable volume. When you have twice the number of Distributors paying \$69.95, there is more non-commission revenue. You also have sales aids, tapes, CDs and videos, Pro-Pack™, events, and other items in the gross figures that are not commissionable. So, if commissions – as a percentage of gross sales – didn't go down, something would be grossly wrong. Hooray! The Company managed to be more profitable than ever while it still paid out the highest commission compensation plan in the industry.

Amazing! How do we do it? It's called good management. We don't live in ivory towers. We don't take large salaries. Operations are highly automated. We buy right, and, as our volume increases, we negotiate better prices. We control expenses. We have very careful pricing procedures in place to make sure we maintain adjusted gross margins after the cost of commissions, sales and goods. At the same time, we make sure that we price products correctly to be competitive. We increase our profits by doing good business.

To think otherwise is ludicrous, as it is not supported by the facts. Do some people not want the Company to be profitable, or fiscally sound? There is an alternative; it's called bankruptcy! Forgive us, but we will just keep paying the high commissions and keep being profitable and sound. This is the truth – that's what frustrates our competitors and adversaries!

Why does Market America purge Distributors' volume instead of holding their checks or just Red Flushing them?

First of all, you are not paid simply on volume. There are certain activity and managerial requirements that are necessary for the Plan to work mathematically as well as legally. It's not a buy-in money game solely based on volume. What happens to the volume in an MLM plan at month's end for those who did not have a chance to earn on it? It resets to zero, but the Company paid out a fixed percent. We have devised a way to extend the time from cycle to cycle (four in a month) and even to accrue volume month-to-month if one performs certain functions. It's an *option*.

Anyone can get paid on volume over a month. An upline has three months to earn on volume downline. But, if a Distributor does not demonstrate activity by selling product and reordering after three months, his or her time is up. You must keep your people active in order to attain the volume. That's the program. At least if you keep them active, you keep the volume, as opposed to an MLM. Plus, you already had three months or 12 pay cycles to earn instead of a one-month, one-pay cycle situation with MLM.

Finite limitations are necessary for the Plan to mathematically work. One can't pay an insurance premium one month, let it lapse, and then six months later place a

claim and scream, "Well, I paid a premium once and you never paid any claims!" That type of thinking is illogical.

One reason we purge concerns time limitations on volume earning if premiums – in the form of certain volume requirements – have not been met. That is how the Plan functions. We try to give an individual every opportunity to earn a check by holding it if he or she accumulated volume. For instance, for those who have earned a check but have not turned in their forms, we give them 28 days to correct the situation. But, when the issue becomes one of activity, and meeting critical volume or sponsoring ratios within the time limits, we have to flush or purge.

It's helpful to understand the difference between flushing and purging. A bad (red) *Flush* occurs when someone doesn't meet the necessary requirements under the MPCP to earn either a check or the right to continue accruing volume beyond a certain date within a set time period. A bad (red) flush only affects an individual Distributor's center and income. A *Purge*, on the other hand, concerns activity. When Distributors are "inactive," they purge. You have three months to earn on your downline's volume and after the initial time period, you have to keep them active if you want to keep accruing their volume.

It's as simple as that.

It doesn't take a genius to figure out that this affects the math of the Plan. There have to be cut-off points and ratios of new production to accrued volume. Everyone earning has to be producing or carrying his/her own weight. You can't continue earning or counting on passive people forever, or the Plan will self-destruct. We determined the maximum limits the Plan can be stretched, both mathematically and legally. On a legal side, there *must* be personal and ongoing sales, demonstrated supervisory functions as well as managerial and sponsoring activity in order to derive benefit from the volume of others. You cannot be passive and earn or accrue volume to earn; otherwise the Plan would be deemed an illegal security or investment contract.

The creation of accrual beyond a month and an infinite search for volume in the binary plan raised special issues and questions that had never been raised before because we are allowing multiple people to get credit for volume and count it beyond a month. Working with lawyers and regulators, it was suggested to me that all activity requirements must be monthly in nature to protect against the passivity issue. I argued that three months was realistic because it takes that long to get

started and to sell product. The consensus of the lawyers and regulators with whom we spoke was that it was as far as you could stretch it. That's why it's set up on a quarterly basis.

If the upline earned on the volume and the Distributor was passive, inactive or never sold or consumed the product, the volume stops counting after three months, thereby limiting it and limiting the exposure. If an inactive Distributor, on whom the upline earned within that three-month period, returns the product under the buy-back guarantee, the upline must

buy it back or commissions will be reversed.

This protective measure addresses both the pyramid issue of commissions being paid on unsold volume as well as the passivity concern. It puts us in safe harbor, while we are able to accumulate and accrue volume, allow multiple people to get credit for BV, and accumulate or search to infinity. Frankly, it is a stroke of genius, and it works!

Those who still question the validity of this approach should simply look at the record. Since we started operations, over 80 binary companies that tried to copy us

have been put out of business by regulators or failed mathematically and financially because their commission payout grew beyond 100% of revenue. The proof is in the pudding and it is compelling. Anyone who tells you otherwise is swindling you or simply doesn't know what they are talking about. Even USANA, the only other surviving binary program, reduced its payout. Residual income is only as powerful as it *lasts!* That's why Market America is the most profitable, most stable and most powerful.

What happens to all the flushed volume on which no one is paid?

Everyone who met the requirements upline is compensated for it. There is no volume for which the Company fails to compensate. What happens to all the volume in an MLM plan at the end of the month for the people who didn't get paid? It flushes and purges and only the people at the top who qualified got credit for it and were paid a commission. Fundamen-

tally, they earn more on other people's *failure!*

The structural advantage of binary marketing allowed us to create a method in which more people could be paid over a longer period of time for meeting certain requirements. You must realize that numerous people receive credit for the same volume and are paid when they meet the qualifications. Even when there is

volume over 5,000 other people upline and downline are being paid on that volume. Our commissions have grown proportionately with sales (approximately the same percentage). For 11 years, they have remained 46-50% of sales and 65% of BV. Commissions have gone up every year with more checks being paid to more people. That is the bottom line.

Why does the Form 1000 have to be a requirement every 90 days?

Because of the pyramid and securities laws as well as recent court cases mandating documentation. People must *demonstrate* activity to earn or benefit from the Marketing Plan, and we can only pay commissions on volume that is being

retailed or consumed, most of which has to be retailed to non-participants of the program. The courts have ruled that, if you can't document it and enforce it, it doesn't exist. Simply check the cases: Webster v. Omnitrition (9th Circuit Appellate Court),

AuQuest, Jewelway, Destiny Telecom, Gold Unlimited, and International Heritage. There have been 120 companies that didn't do it our way and were forced out of business. *We know what we are doing!*

Why can't the Company just flush, rather than purge, someone who goes inactive because they didn't turn in a Form 1000?

When a Distributor initially qualified, he or she was active. We give everyone 90 days to sell product and document purchases and the upline has that same time to earn on this volume. After this period, one must consistently sell and document purchases of product in order to remain active. Flushing doesn't solve it because the upline would still be paid on volume not based on individual or retail sales, in violation of pyramid statutes. If the inactive Distributor didn't consume or sell the product, he or she can return it, reversing everything as if it never happened. But if that individual returns the product to the Company because the upline refused to buy it back, then we have

to reverse the commissions each person earned because the product never sold or moved in the first place – the volume wasn't there.

So, it's always better for the upline to buy resalable product back. However, if someone verified on a Form 1000 that he or she sold it, that person can't return the product that was sold; therefore, this protects the upline.

Some argue the point saying, "Well, the upline already earned on it, so they earned on passive people." It's really a matter of definition. We're defining three months as the measurement for activity. This is a special issue with a program that allows for accumulation, but three months was

deemed reasonable and realistic. If the person were passive and returned the product under the buy-back guarantee, then this reverses the sale and it's a wash.

The only other way to treat this would be to require it every month, or, in the worst-case scenario, only pay commissions on Form 1000 submissions. No one wants that! We do have another technical safeguard in the agreement and policies to protect against this argument, which we hope never to enforce. You have to retail \$200 and submit a Form 1000 within 30 days or lose sponsorship rights and the right to accumulate volume and earn. This is the ultimate "iron clad," bulletproof defense against any overzealous regulator.

I don't think it will ever come to that, and we would fight vehemently against it, but it's good to know we are in safe harbor. We have to demonstrate that we

are proactive concerning activity. I don't want to have to wage the type of fight defending binary marketing that Amway did in 1977 to defend MLM. I know – I

experienced it first hand when I worked as an Amway distributor. You have no idea what a negative impact that fight had on building the business.

If someone activated by personally sponsoring two people and one of them goes inactive or cancels his or her contract, why do you have to take away the sponsor's active status, causing the sponsor to lose commission checks?

Because that is the essence of the Plan. It has always been and always will be. There has to be a ratio of maintained personal production on the probability side of the Plan's mathematics. The mathematical structure is set upon ratios of personal production to group production and new volume to accrued volume. It's comparable to situations in MLM: without six legs, you lose bonuses; or, if you lack the required 5,000 personal group volume,

you miss overrides; or, if you don't hit the next pay bracket, you're paid at a lower percentage. It's the rules and the structure of the program.

The archenemy of our Plan is passivity. You can't earn on the volume of others unless you did a certain amount yourself. Where else can you earn so much on just two legs? You have to do your share of sales, recruiting, sponsoring, and training to experience the benefits. If everyone

could earn on someone else's production, no plan or business could survive.

It's critical mathematically for there to be two legs and two people sponsored who at least qualify and remain active. That's as small as we could make it. At some point, *you* have to take responsibility and pay attention. I regret this displeases some people, but we've never offered "something for nothing."

Why does Market America have to have the "same household" rule? Why can't people sponsor more than one person per household?

We *have* allowed people to sponsor more than one person per household, but it must be a *real* person. It cannot satisfy the activity requirement, because the Plan is critically dependent on each individual personally sponsoring two.

If someone else did the work for

multiple people who earned on the same volume, the plan would overload with passive earnings, diminishing the payout. It would be impossible to establish production ratios, which would affect the actuarial side of the business. It's just a fundamental requirement of the Plan.

We do not wish to operate as private investigators, but we must draw the line somewhere. It's easy to manipulate personal sponsorship or cover things up in the same household – bogus centers or pets counted for personal sponsorship and activity are typical examples.

Why can't Distributors place BV in non-Transfer Buying Centers, as in other binary plans?

In the only other binary plan in existence (USANA), you can only place BV in personally held centers. There are four reasons behind our approach: First, several Advisory Council members in discussions regarding Transfer Buying and placement of volume proposed it. Numerous people were demanding to place volume under them or to meet their

qualifications for them when the people were not on Transfer Buying.

Secondly, it strengthens the business and volume base from the bottom up, because, if Distributors want the upline to place volume in their centers, they have to, at the very least, be on Transfer Buying. The third reason is that you don't want volume placed in downline centers to

prematurely purge (highly probable) when someone is not on Transfer Buying.

The final and *most important* reason is that it eliminates passivity and the creation and placement of volume in bogus centers or doing the business for an inactive person. It eliminates manipulation, such as earning multiple times on the same volume through inactive or fictitious people.

Why is Pro-Pack mandatory instead of optional?

First of all, our Marketing Plan pays better (4-6.5 times more than MLM) because of its sophistication and efficiency. It gives you the ability to leverage much more income, but you must be able to track your business progress weekly to stay informed and reap the benefits of our system. That's why we created Pro-Pack. You have to manage your business and perform ongoing supervisory functions. In the UnFranchise®

System, that's impossible to do without knowing what's going on downline.

Everyone really needs a Pro-Pack subscription; particularly Executive Coordinators who need to manage their businesses and are paid to do it. We wait until the Distributor is earning checks to require it, rather than making it an upfront expense. Distributors have groups and are accruing volume, placing volume, and placing Distributors. This is impossible

without Pro-Pack.

In this business, you need to monitor activity, (i.e. pre-purge reports as well as renewals). You cannot overload an upline with these responsibilities – they would stop growing, mistakes would multiply and people would have a Bad Flush or Purge. Any business system that doesn't delegate responsibility and create layers of cooperative management will short-circuit and fail. We tried to make this voluntary in

the beginning, but it became so problematic, people began to fail.

It is costly for the Company to provide Pro-Pack. To keep the highest-paying marketing plan in the country and the prices of quality products as low as possible, Pro-Pack must be constantly improved and adaptable to the needs of a growing Field. *Something* has to give! It is necessary for Distributors who benefit and are paid to manage to offset these costs.

It's similar to franchising except you pay for the system and support only when you start making money. Classify this as overhead that comes out of cash flow and profits. Pro-Pack ends up making you money because it enables you to manage

your organization, prevent purges and flushes, and place volume strategically to earn bigger checks.

The other reason that Pro-Pack is necessary is that our Plan (as opposed to stair-step or breakaway MLM programs) requires Distributors to deal directly through the Company, not other Distributors. This creates a costly and growing administrative load that has crippled other companies. Pro-Pack off-loads a portion of this, granting Distributors direct access and more control.

With other companies that don't have Pro-Pack, you can never be sure if you're being paid correctly! They treat you like a mushroom: they keep you in the dark, feed

you a lot of manure, let you grow real fast and then can you. It would be to this Company's advantage financially if Pro-Pack did not exist because it reduces commissions. But, just imagine life without Pro-Pack. If it's so terrible, let's get rid of it. If it's for free, we can't have it. If it isn't required, the system would crash and you would all eventually become clerks for your downline. Enough, already!

We conducted an in-depth analysis and found that Distributor income above the Master Coordinator level increases at least 30% through Pro-Pack. It would not be to your advantage if we discontinued it. We really do have your best interests at heart!

Pro-Pack costs too much for someone at the Executive Coordinator level. Sometimes, they've earned only \$1,500.

I'm sorry if you feel that way. The PowerLine Information Network System alone is light years ahead of what other companies have done. It's a valuable, indispensable management tool. Besides that, the value of the other things is worth the price. Just the information on tapes is worth a lot. What about the 10 Preferred Customer registrations and *Market America Direct* subscriptions costing \$10 each (a \$100 value)? Not to mention the other services and benefits.

We are not MLM; we are Independent UnFranchise® Owners. This program is more powerful, profitable, sophisticated

and complex, requiring a higher level of systemization. All of the money is in the Marketing Plan and we don't inflate the price of products. You can make more money here than with any other opportunity, and we even take the time restraints off so you can accumulate and build up to earn more. You have to pay for the system. We wait until a person has earned \$1,500 and has a substantial customer base and organization before we require Pro-Pack. Now we even allow Distributors to put it on a credit card and spread out the payments to only \$75 a quarter for the initial subscription. I can't imagine how anyone

can complain about that.

The average franchise fee start-up cost is \$147,000 before the franchise ever makes a dime. You have to pay for the UnFranchise® System, but you start at \$99.95 and we let you build up and earn money first. Then, we charge you a fraction of what it costs in franchising for the systems to manage your business. You pay as you go out of commission checks you are now earning. Furthermore, an Executive Coordinator will never solidify his/her business or go beyond that level without it.

This business is no longer for the average person because there are too many requirements and you have to subscribe to Pro-Pack. Some people don't even have computers.

This business is for average people who are willing to work and become above average. You can't earn \$109,000 to \$187,000 or more and remain average. The financial resources necessary to buy a franchise or to get into traditional business are prohibitive for the average person. To go into a traditional business is very risky and there is no one to guide you or support you. You learn by trial and error and the failure rate is over 95%. Here you are in business for yourself, but not by yourself. You merely have to plug into the system.

Market America is within reach of the average person. Anyone can come up with \$99.95, sell a little product, then plow some profits back into the business once

he or she makes it. Some MLMs require a person to sponsor and build 10 to 20 legs to earn a comparative \$2,100 to \$3,600 per week, do hundreds of thousands in monthly group volume, and average \$5,000 monthly personal qualifying volume.

Statistics show that the average person will develop 2.8 organizations and move \$200 worth of product over 90 days. MLM requirements are beyond most average working people, and because they start over at zero every month, they can never get far enough along to break free. With Market America, they can, and we eliminate starting over at zero to break free if Distributors meet some simple require-

ments and stay active. This business is for average people willing to work, not for losers, the perpetually lazy or those seeking some sort of deal or game.

As to computers, I'm sorry folks, but *wake up and get over it!* A Custom Web Portal is the engine that drives this one-to-one marketing and Internet marketing business – you need a computer for it to work and they're now more sophisticated and user friendly. If you have a driver's license and can operate a car, you can learn how to use a computer. Like a car, you can't get around or go anywhere without one. So, it's time to learn. Someone will help you and before you know it, you'll be driving.

Why does Market America require three training classes in order for you to continue receiving commissions?

Market America requires a minimum of three mandatory training classes as you build your UnFranchise® business. The first necessary class in New Distributor Training (NDT) that outlines the fundamentals to successfully administer the business. We require this because we do not want people to have a bad flush, a purge or not getting off to the right start. Even more importantly, we do not want new people bringing others into the business incorrectly and adversely affecting their future in the business. Then you experience a Basic Five Training (B-5) that covers the five fundamentals necessary to learn, implement and ultimately master to grow a successful business. You cannot succeed in the UnFranchise® system unless you can fully comprehend it and know how to use it. This would be comparable to purchasing a McDonald's franchise and not being

trained to run it by attending their "Hamburger University."

After one earns \$1,500 at the Executive Coordinator level, he or she is required to attend a Certified Executive Coordinator Training. The purpose of this class is to train you to manage others and conduct the first two trainings. Even though they are mandatory, these trainings have been embraced by the Field and appreciated by those who truly want to grow their businesses. Because Market America offers a real business opportunity that does not rely on games or gimmicks, we must enforce the mandatory nature of these trainings by requiring their completion at certain thresholds during the growth and development of your UnFranchise® business. Accordingly, checks are held until the trainings are completed.

Required training with Market America is no different than required training in a franchise. We believe it is necessary in

order to perform one's management responsibilities. A lack of training can compromise the viability of a downline and leave it without proper information and support. In fact, training is critical if someone wants to earn six figures as a professional in any field of endeavor. That is why there are many additional optional trainings on such things as the Internet, selling Third Party Web sites, Motives® Consultant Certification, and monthly NMTSS trainings on how to build the business.

This is the difference between MLM games and our business. I often joke that in MLM, people slam a lot of mud against the wall (recruit anyone with a pulse without training or requirements) and hope that some of it sticks (some people will make it). In the process, one leaves behind a trail of destruction littered with disappointed people who were misled or who failed. We're here to change all that.

Why does Market America punish people for mistakes and not make exceptions when someone has a good reason for not meeting a requirement or for honest mistakes on a Form 1000?

Market America does everything possible to prevent people from having a bad flush, a purge or not qualifying for checks. We give notice 28 days to correct a missing requirement whenever possible. Mail-O-Grams and e-mail messages are sent out for this purpose. We post reports on Pro-Pack so the Distributor and the upline can check on activity requirements and potential purges or bad flushes. None of this is even an issue in MLM because all the volume purges at the end of the month and resets at zero. Keep in mind that the Plan will fail mathematically and legally if requirements are not enforced, so it's not even a debatable issue.

Activity is the coin of the realm – people must remain active in order for their volume to count. Our Plan pays so well that one can afford to pay attention! However, when someone fails to pay attention, it has a reciprocal effect on others. Mistakes happen, but they are often categorized as "losing" volume or checks. The Plan works exactly as it is spelled out in the Independent Distributor Agreement and the *Career Manual*.

When one does not accrue volume or earn commissions because he or she did not satisfy the criteria or requirements, it is indeed disappointing, but that is why we have required trainings and upline management responsibility in order to prevent it.

Addressing honest mistakes is a daunting prospect. You have to picture how the Plan and computer program which tracks it actually works. You have literally tens of thousands of little cells (Business Development Centers) in the computer set on different Q-dates with different levels of accrued volume. Up a line of sponsorship in the genealogy, everyone is at a different volume level and on a different "time clock." Some people are having bad flushed and resetting to zero while some people under them are approaching a payout threshold or approaching 5,000 BV. Every center is being affected by all of this up two lines. Can you picture all of these interrelated BDCs on different time clocks accumulating volume and resetting? Adjustments are being made every week to all the cells and their interdependency

seemingly resembles the gears and inner mechanism of a Swiss watch.

BDCs are monitored and adjusted for requirements based on their individual time clocks. How do you make an exception and manually enter information and adjust one cell for a mistake after a commission run without it affecting all of the other cells that already changed for the previous week? You would have to go all the way up the line and adjust everything, which would set off a chain reaction affecting the qualifications of other BDCs that then have to be adjusted. I cannot imagine a worse administrative and logistical nightmare.

If we make an exception for one person, then we have to make it for all. The Company and its program would crash because we simply couldn't administer it. Can you imagine your commission check being delayed because someone didn't get his or her Form 1000 in on time (even after a notice)? Exceptions compromise the system.

Selective adjustments after a commission run would open up a Pandora's Box of manipulation. If one

could see where volume is placed in the matrix, it would be an incredible temptation to manipulate BV and increase earnings. This would destroy the Plan, so,

unfortunately, once the commission program runs in the computer, no adjustments can be permitted. The system is not perfect and mistakes will happen. To

correct these mistakes requires a great amount of work in the commission and data entry departments.

Market America seems to have become more complicated. Now you need Web Portals, Web Centers, Pro-Pack™, unfranchise.com, the Preferred Customer System, IBV and e-commerce. It's hard to keep track of all the trainings, requirements and business tools. When you add the Nutri-Physical™ Isotonix® Custom Formula, Gene SNP™ and i.design™, it just seems overwhelming!

Actually, the business has become that much more powerful. This is a real business on the cutting edge of innovation that is fulfilling its Mission Statement. We are a product brokerage and Internet marketing company that specializes in One-to-One Marketing and Mass Customization. Everything we do is a reflection of this fact, so it's crucial that you understand who we are and what we represent. We are a trusted product solutions resource for our customers. You and your customers are the architects of our Mall without Walls™ and determine the products and services we offer. When we offer new products, we increase the BV and IBV revenue stream available to your business.

You can break down all of the new products, services, initiatives, programs,

tools and training through one simple common denominator: they all represent a component of the Basic Five. You learn it as you go and you need to keep up with the business. If you try to do it all at once, it is a great deal to assimilate. But the business has a lot to offer, and there is something for everyone. This is why no one can afford to miss an International Convention, Leadership School or Regional Convention. People need to be there because we are growing and advancing at an incredible pace. When you attend the events, everything falls into place.

All of this is lost on one who has an MLM mentality and doesn't really want to be in a real business. This person is not concerned with new products, retail sales, proper training, tools or adherence to

requirements. He or she possesses a primeval, almost predatory outlook – trying to recruit everyone in the world to sell them a “spot” or “position” and inventory load them with overpriced products that sit in a garage. These people never think long term because they know that the rug could be pulled out from under them at any moment. The problem with those types of programs is that you make money by taking advantage of people. A few operators at the top make quick money, but those at the bottom will always get left holding the bag. Residual income is only meaningful when there is real marketing of competitively priced products that people want, from an established, reputable company dedicated to growth and longevity.

Why does Market America average at 80% BV rather than 100% BV?

Legitimate companies with multiple product lines and a lucrative pay plan have a BV or PV factor (point system). We incorporate BV into our Plan because we offer a variety of product lines that have different margins. In order to accumulate volume across these product lines rather than dividing the volume and paying smaller checks on separate items we must have a BV factor to compensate for the different margins. Many products will not even work in the BV mathematical formula, and that is why we have IBV in the Partner Stores.

Business Volume (BV) and its percentage to Distributor Cost is a function of good business management and retail sales. Market America promises that it will keep the price of its products and services competitive in the marketplace, not inflate them like MLMs just to pay commissions. When a product is priced higher than comparable products in a retail store, catalog or over the Internet, something is wrong! This practice does not attract

legitimate customers, so the only people who buy the product at inflated prices are MLM distributors in order to earn commissions. The courts have ruled such a practice to be a *façade* to run an illegal pyramid.

It is important to price the product competitively at retail so people want to buy it. We begin by doing market comparables of similar products in order to price point our products competitively. In that way you sell more products, have more customers and more new and repeat volume from reorders (the lifetime value of a customer).

It is more important for Distributors to be able to sell a product and earn a retail profit of 30% to 100% return on the cost of goods than it is to give a higher BV percentage. The reason is simple. You need cash flow and the ability to earn income and liquidate your business overhead as you recruit and build distribution in order to earn residual income from commissions so you can

attain financial independence. It is smart business and an important benefit to keep Distributors in the business. Market America does have 100% BV on several products and always tries to set the BV as high as possible whenever it doesn't make the retail price uncompetitive or cut into the Distributor's retail profit.

The 80% BV average on Market America products and services works quite well motivating Distributors to build their business through both retail sales and distribution. I will give everyone a little tip: When people do things to manipulate volume and the system or keep passive people active in order to prevent BV from purging the system, or meeting requirements for inactive people; all they are doing is beating the system which stresses commissions. Why? Because multiple people who did nothing to contribute are earning on the same volume created by someone else's effort. Any practice designed to manipulate volume or circumvent the meeting of requirements

beats the system and increases commissions. If the payout goes above the norm it ultimately affects pricing. It increases the price of the product and

decreases the BV. None of us want that so guard against it! My promise to you is that if these practices are eliminated it will be passed on to you resulting in lower prices

or higher BV! Ultimately that generates more sales and everyone benefits.

It seems like there are so many things a new Distributor has to get and pay for as they grow in the business that it can become confusing and frustrating. Isn't there a better way to handle it?

We always want to make things easier and simpler without undermining the stability or structure of the business. Let's remember that it has worked exceptionally well for 11 years and there are tens of thousands of Distributors earning regular checks and significant incomes. But we always look for improvements, which is why we recently combined several things into the Subscription Kit for one price. We have added the Web Portal, NMTSS Online Subscription and an *UnFranchise.com Management Guide* to the existing Subscription Kit for just \$99.95. Additionally, we have simplified entry into the business where a person can use a credit card to sign up if they get Pro-Pack on an installment plan of \$75.00 per quarter.

But, let's put this entire subject in proper perspective. Once again, this is a real business and an extremely profitable one if someone takes it seriously. It is not a game, deal, hobby, or money scheme, and those who approach it from that perspective will always have a problem.

This is an UnFranchise® business where we support people and teach them how to do One-to-One Marketing facilitated by the Internet. The average franchise startup costs exceed \$147,000. A McDonald's

franchise costs \$1 million to \$3.3 million dollars. The rule of thumb for buying an established business is five times the net profit, so to earn over \$100,000 per year you would have to invest over \$500,000. Even a "mom and pop" store is going to require a \$100,000 in start-up capital and expense the first year.

In Market America, someone can test market it first without a significant financial expense. If one is interested and has some customers, he or she can get in for \$99.95. They have to sell through \$200 to \$600 worth of product, but that produces retail profit cash flow that can be applied to overhead and those expenses necessary to build the business.

As you begin to grow you need some materials, tools, training, and there are a few things you have to do each month to make it work. When you become an UnFranchise® Owner, we combine everything you're likely to need in three convenient packages that are phased in at three different levels based on "where" you are in the business. That really makes it simple. These packages of trainings and tools are designed to correspond to your growth in the business at three levels, and you pay for them by reinvesting retail profits and commissions until you have

everything you need. This leverages more growth, allowing you to achieve your goals without taking substantial risks! I think that is a very smart way to build a business.

When all is said and done, one might have overhead of \$5,000 to get to the Gold UFO level, but consider the fact the average Gold UFO earns \$232,000 per year!* Where else can you earn that type of money in business with practically no risk? In any business, you are going to have expenses and overhead to operate and grow. Don't expect Market America's UnFranchise® business to be any different. It's time to face facts – less than 5% of traditional business start-ups make it, and even if they do make it, owners never have any time freedom or residual income associated with their businesses. You figure everything out by trial and error, and no one is going to help you. But with Market America, you are in business for yourself but not *by* yourself. You can rely on an experienced upline and UnFranchise System to support you. People who complain about this business really need to get their head examined or take it out of the MLM toilet. This is the best opportunity on earth!

Now I have a question for all of you, but I really know the answer. Why do plans that do not have our requirements, but feature sign-up bonuses, head-hunting fees and cycle commissions more than once a week and do not have a BV factor on their products, all cap their commission pay out at 50% of their sales and pool or pro-rate commissions amongst those earning checks?

The reason is that they already know their plan will not work mathematically and is destined to fail from the beginning. If that doesn't get them, regulators will get them first. Basically, they are telling everyone up front that they are going to get a decrease in pay as time goes on because they know the commissions payout will exceed 100% of revenue if

their current program continues. When they cap the commission payout at 50% of the revenue, as commissions exceed 50% of the revenue, the commissions are paid out on a prorated basis and your check is reduced proportionately.

In other words, the checks keep getting smaller and smaller. The residual income that you worked hard to develop shrinks

until it is nothing. If you don't understand this, you are either a sucker, don't care about residual income, or you are a con artist intending to take advantage of other people. If this is your intention, I would strongly suggest you leave the business before we are compelled to toss you out!

It seems like Market America wants people to lose commission checks so it can profit accordingly. Does this notion have any merit?

In this article, I have labored hard to explain why such accusations are simply absurd and defy simple logic. If we operated in such a counter-productive manner, we would not be in business very long.

The ultimate objective for this Company is to sell and distribute as many products, goods, and services that we offer to as many consumers as possible! To achieve this objective, we have chosen to use as many Independent Distributors as we possibly can to market, sell, and distribute these products, goods and services. To ensure that we are able to attract these Distributors to perform these functions, we have designed a very fair and lucrative Compensation Plan that is viable, credible and in compliance with laws that govern the direct sales and network marketing industry. To ensure this compliance, Market America has integrated requirements into its Compensation Plan.

Simply put, if you do not meet the requirements that constitute the Plan's legitimacy and legality, you cannot qualify for a commission check. One never "loses" a check; one merely *fails to qualify for one!*

The "main thing is still the main thing." Market America's Independent Distributors must:

1. Purchase a minimum of 150 BV worth of products quarterly to sell and distribute to more than two ultimate end consumers.
2. Verify and validate the sales of these products to more than two ultimate end consumers by submitting a Quarterly Sales Report that

documents what was sold and to whom it was sold.

3. Renew their Independent Distributor Application and Agreement *annually*.
4. Purchase an organizational management tool (Pro-Pack™) annually to assist Distributors in executing their managerial, supervisory, communication, and training functions within their sales and distribution organizations. This purchase is not required until they have earned \$1,500 in commissions (i.e., two organizations that have generated in excess of 5,000 BV each).
5. Order 50 to 150 Personal Business Volume worth of products monthly (depending on Distributor, Coordinator, or Executive Coordinator status) to execute the month-to-month accrual of Group Business Volume option.

These requirements have (monthly, quarterly, or annual) frequencies and are governed by fixed dates for each individual Distributor. If Market America wanted Distributors to "lose" checks for not meeting these requirements, it would never have developed and offered the following programs that increase the efficiency and effectiveness in satisfying these requirements:

- A Transfer Buying Program has been created that allows for automatic submittal of a monthly order greater than 50 PBV. This automatically satisfies the 150 PBV/quarter and/or

the month-to-month accrual option. If we wanted you to miss checks, we would not have introduced the automatic bump-up option or the transfer buying program.

- You can now submit your Form 1000 online with the Quarter Dates automatically calculated. The process is simple and painless; you merely point and click.
- Annual Renewal forms are featured in *PowerLine* for four consecutive months. We also provide a two-month extension (with qualifications) period beyond the actual annual deadline.
- Pro-Pack™ was developed so a Distributor can manage and monitor the activity of his or her organization so that individual requirements can be satisfied.
- System alerts are available through unfranchise.com to remind Distributors of certain requirements.

We have done our due diligence by providing you with the means to satisfy our legal requirements and your responsibilities. *If we did not operate in your best interest, these options would not even exist!* I could go on, but this really boils down to the fact that *every Distributor that meets the payout criteria and satisfies the five requirements described above earns a commission check and will continue to earn commission checks.*

I hope that this article has brought things into clearer focus. If these issues are raised by anyone, you should be able to stand up and stare them straight in the eyes and tell them the truth. There is no doubt that Market America is leading the parade in the new direction and is committed to changing an entire industry.

Are you a part of the problem, or are you a part of the solution? It's your decision, your opportunity and your life. I would strongly suggest you make the most of it.

I believe in you,



JR Ridinger
President/CEO