

HealthyPetNet™

Field Representative
& Affiliate Compensation

HealthyPetNet™ - 12/03/04

There are two ways to earn with the HealthyPetNet Compensation Plan: (1) as Field Representative and (2) as an Affiliate. Field Representatives can build an organization and they are eligible for all bonuses, while Affiliates can only earn Retail Profits and Retail Bonuses.

HOW TO EARN MONEY BUILDING A CUSTOMER BASE

BUILDING A CUSTOMER BASE

There are three ways to earn money building a customer base: (1) Retail Profit, (2) Quick Start Bonuses and (3) Retail Bonuses.

RETAIL PROFIT

Retail Profit is the difference between the Wholesale cost and the Retail price. If your customers purchase directly from the company over the phone or on your Replicator web site, you will receive the Retail Profit in your monthly commission check.

PERSONAL INVENTORY

Field Representatives can purchase products at Wholesale cost from HealthyPetNet™. By reselling these products at the suggested Retail price, you can earn up to a 30% Retail Profit immediately.

Under no circumstances should you buy more products than you can resell or use in one month.

DISCOUNTS

Whenever there is a discount on a product, the commission is also proportionately discounted. For example, if a product is reduced in price by 10%, the commission is also reduced 10%.

For the lowest price on products, buy them by the case. This simply means that you buy a designated number of units for a discounted case price, instead of buying one unit at a time. It's like buying a twelve-pack of soda instead of one can. When you purchase products by the case, you can receive a 10% discount on those products.

QUICK START BONUSES

To help you build a customer base more quickly and to help you get back your promotional expenditures, we have created a Quick Start Bonus. This Bonus is always greater than the maximum Retail Bonus on any product. For more information, see the Quick Start Bonus section of this document.

RETAIL BONUS

The Retail Bonus rewards you for building a customer base. You are paid a Retail Bonus on your personal purchases and the purchases of your personally sponsored customers.

HOW TO QUALIFY FOR RETAIL BONUS

As a Field Representative, you must fulfill the following monthly requirements to receive retail bonuses:

You must have at least \$50 in Personal Sales (PS). Personal Sales (PS) means the total wholesale value of all commissionable products purchased by you and your customers in a given month.

Adhere to all the HealthyPetNet™ policies, as described in the Policies document.

HOW DO I EARN RETAIL BONUSES?

There's one more term that's important in determining how much Retail Bonus you will earn. It's called "Commissionable Sales" or "CS."

The commission on one product may be more or less than the commission on another product. The difference is due to many factors, including variable manufacturing costs and the need to make sure the HealthyPetNet™ products are competitively priced in the market place. This means your commission may be slightly higher or lower, depending on the HealthyPetNet™ product you are selling.

Commissions are not based on the wholesale price of each product. Instead, all the factors we just discussed are taken into consideration. Based on those factors, a dollar amount is assigned to each product. That dollar amount is called "Commissionable Sales" or CS. Your bonuses are based on your CS. The CS on each product is listed on the price list in your HealthyPetNet™ Starter Kit. The price list is also available in the "Documents" section of the Internet.

The CS from the products you purchase, added to the CS from the products purchased by your customers, is called "Personal Commissionable Sales" or "PCS." Each month, you can receive a Retail Bonus of 5% to 20% of your PCS based on the amount of your Personal Sales. Personal Sales or "PS" are the total wholesale value of all commissionable products purchased by you and your customers in a given month.

The amount of Personal Sales (PS) is used to determine whether you will receive a 5% to 20% Retail Bonus on your Personal Commissionable Sales (PCS). The higher the amount of Personal Sales (PS), the higher the Bonus paid on your Personal Commissionable Sales (PCS).

<u>Monthly Retail Bonuses</u>	
<u>Personal Sales</u>	<u>Personal Commissionable Sales</u>
\$ 50.00 - \$249.99 PS	Entitles You to 5% of your PCS
\$250.00 - \$499.99 PS	Entitles You to 10% of your PCS
\$500.00 - \$749.99 PS	Entitles You to 15% of your PCS
\$750.00 & Up PS	Entitles You to 20% of your PCS

HOW TO EARN MONEY BUILDING A SALES FORCE

In addition to earning Retail Profits and Retail Bonuses, the HealthyPetNet™ commission plan compensates you for building your own sales force of Field Representatives. There are four types of bonuses you can qualify for when building a sales force: Foundation, Star Club, Performance and Quick Start.

In order to understand the rest of the compensation plan, you must first understand Ranks, since the percentages you earn on the rest of the bonuses are based on your Rank.

RANKS

The HealthyPetNet Compensation Plan has nine (9) Ranks. The lowest Rank is 1 Star and the highest Rank is 9 Star. To achieve a Rank, you must achieve certain qualifications. There are four (4) qualifications, as described below:

PERSONAL SALES (PS): The total wholesale value of all commissionable products purchased by you and your customers in a given month.

PERSONAL GROUP SALES (PGS): Includes your Personal Sales (PS) and the Personal Sales (PS) of all the Field Representatives in your organization.

QUALIFYING 4-9 STAR LEGS: In order to become a 5 Star, you must have at least one 4 Star Rep in at least two legs. Each one of your personally sponsored Field Reps is the head of their own organization and each one of those organizations is considered a “leg.” For example, if you personally recruited four Field Reps, you have four legs. So in order to qualify as a 5 Star, you need two personally sponsored Field Reps that each have someone ranked 4 Star or above in their organizations.

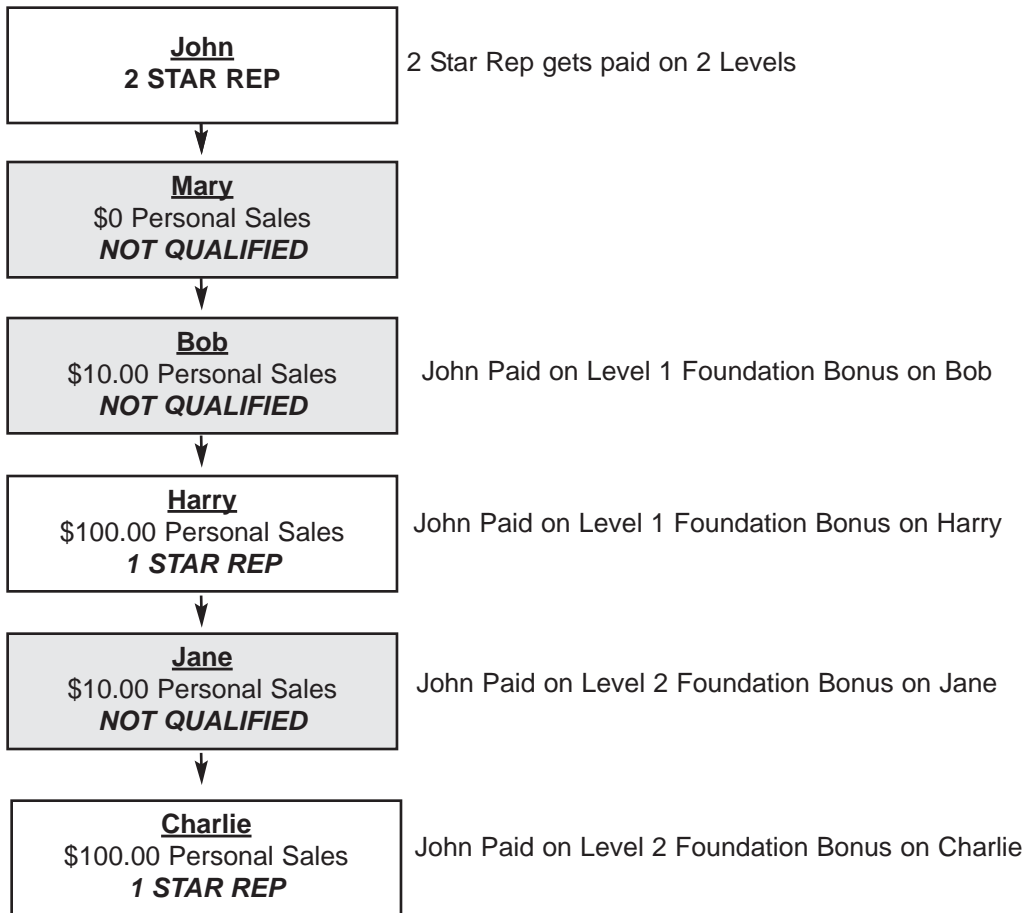
QUALIFYING 5-9 STAR LEGS: This qualification applies to becoming a 6 through 9 Star Rep. You need to have between two (2) to eight (8) 5-9 Star qualifying legs to achieve these Ranks. Each one of your personally sponsored Field Reps is the head of their own organization and each one of those organizations is considered a “leg.” For example, if you personally recruited four Field Reps, you have four legs. So in order to qualify as a 6 Star, you need two personally sponsored Field Reps that each have someone ranked 5 Star or above in their organizations.

Field Representative Rank	1 Star	2 Star	3 Star	4 Star	5 Star	6 Star	7 Star	8 Star	9 Star
Personal Sales (PS)	\$50	\$50	\$50	\$50	\$100	\$100	\$100	\$100	\$100
Personal Group Sales (PGS) 1-5 Star	\$50	\$250	\$500	\$750	\$0	\$0	\$0	\$0	\$0
Number of Qualifying 4-9 Star Legs	0	0	0	0	2	0	0	0	0
Number of Qualifying 5-9 Star Legs	0	0	0	0	0	2	4	6	8

FOUNDATION BONUSES

The Foundation Bonuses are designed to reward you for building a solid foundation. You do that by helping your Field Representatives build their sales forces.

Before we talk about the Foundation Bonuses in detail, it's important for you to understand Compression. The Foundation Bonuses have compression built into them. Compression prevents reps from being penalized for having non-performers in their organization. For example, the chart below displays one leg of John's organization. John is a 2 Star Rep and can get paid up to two (2) Levels of Foundation Bonus. So John gets paid a Level 1 Foundation Bonus up to and including the first ranked Field Rep in the leg below and he gets paid a Level 2 Foundation Bonus up to and including the second ranked field Rep in the leg below. As you can see from the chart below, without compression John would have gotten paid on Mary as his Level 1 and Bob as his Level 2. With compression, Mary and Bob do not count as Levels, which enables John to get paid all the way down to Charlie.



FOUNDATION BONUSES

The Foundation Bonus was designed to reward you for building a solid foundation. You do that by helping your Field Representatives build their sales forces.

What Does The Foundation Bonus Pay?

You get paid based on your rank ... a 1 Star is the lowest rank and a 9 Star is the highest rank. For example, a 1 Star gets paid on one level, a 2 Star gets paid on 2 levels ... all the way up to a 9 Star who gets paid on nine levels, as illustrated below. The amount you get paid is based on the commissionable sales (CS) of that the Field Rep and their customers on that level.

The Foundation Bonus is paid in addition to any other bonus.

Field Representative Rank		1	2	3	4	5	6	7	8	9
		Star	Star	Star	Star	Star	Star	Star	Star	Star
FOUNDATION BONUSES	LEVEL 1	10%	10%	10%	10%	10%	10%	10%	10%	10%
	LEVEL 2	→	8%	8%	10%	10%	10%	10%	10%	10%
	LEVEL 3	→	→	8%	8%	10%	10%	10%	10%	10%
	LEVEL 4	→	→	→	5%	5%	5%	5%	5%	5%
	LEVEL 5	→	→	→	→	4%	4%	4%	4%	4%
	LEVEL 6	→	→	→	→	→	3%	3%	3%	3%
	LEVEL 7	→	→	→	→	→	→	3%	3%	3%
	LEVEL 8	→	→	→	→	→	→	→	2%	2%
	LEVEL 9	→	→	→	→	→	→	→	→	1%

How Do I Qualify For and Continue to Receive the Foundation Bonuses?

The ranks you achieve in the HealthyPetNet Commission Plan are “Paid As” Ranks. That means if you qualify as a 9 Star one month, you are paid as a 9 Star. If the following month you qualify as an 8 Star, you are paid as an 8 Star, even though you previously attained the rank of 9 Star. So every month you are paid all your bonuses in accordance with the rank you achieved that month.

STAR CLUB BONUS POOLS

There are three pools: the 7, 8 and 9 Star Club Bonus Pools. HealthyPetNet™ has put 2-1/4% of all total monthly Commissionable Sales (CS) into these Pools.

These Pools were designed to let you share in the efforts of other Field Representatives even if they are not in your organization. They help create a sense of team spirit among all HealthyPetNet's Field Representatives.

All Field Representatives that achieve the rank of 7 Star in any given month will share in the 7 Star Club Bonus Pool. All Field Representatives that achieve the rank of 8 and 9 Star, respectively, will share in the 8 and 9 Star Club Bonus Pools. These Bonus Pools are exclusive, that is, only 7 Star Reps will share in the 7 Star Pool, only the 8 Star Reps will share in the 8 Star Pool and only the 9 Star Reps will share in the 9 Star Pool.

The first 50% of each Star Club Bonus Pool is shared equally among Pool members. The remaining 50% of each Star Club Bonus Pool is prorated based on each rep's total Personal Group Sales. This is to reward Field Reps proportionately based on their success on building their organizations. All 7 Stars will share in 1/2% of HealthyPetNet's monthly Commissionable Sales. All 8 Stars will share in 3/4% and all 9 Stars will share in 1%.

7 Star Club Bonus Pool	8 Star Club Bonus Pool	9 Star Club Bonus Pool
1/2% of total CS	3/4% of total CS	1% of total CS

How Do I Qualify For and Continue to Receive the Star Club Bonuses?

The ranks you achieve in the HealthyPetNet Commission Plan are "Paid As" Ranks. That means if you qualify as a 9 Star one month, you are paid as a 9 Star. If the following month you qualify as an 8 Star, you are paid as an 8 Star, even though you previously attained the rank of 9 Star. So every month you are paid all your bonuses in accordance with the rank you achieved that month.

PERFORMANCE BONUSES

Performance Bonuses recognize your outstanding efforts for achieving some of the highest ranks. There are three Performance Bonuses. There is a separate bonus for each of the 7, 8 and 9 Star ranks. As you advance in rank, you can earn all three bonuses.

You can earn up to 3% in Performance Bonuses when you advance to 7, 8 or 9 Star ranks. There is a 1% bonus for the 7 Star rank, a 1% bonus for the 8 Star rank and a 1% bonus for the 9 Star rank. These bonuses start on the level after the Foundation Bonuses end. For a 7 Star, the Performance Bonus starts at level 8, for an 8 Star the Performance Bonus starts at level 9 and for a 9 Star, the Performance Bonus starts at level 10.

Performance bonuses are cumulative with rank difference; therefore, 9 Stars can achieve up to 3% Performance Bonus on 5 to 6 Star Legs.

How Do I Qualify For and Continue to Receive the Performance Bonus?

To qualify, you must achieve the rank of a 7, 8, or 9 Star and meet the Performance Bonus PGS requirements listed in the table below.

The ranks you achieve in the HealthyPetNet Commission Plan are “Paid As” Ranks. That means if you qualify as a 9 Star one month, you are paid as a 9 Star. If the following month you qualify as an 8 Star, you are paid as an 8 Star, even though you previously attained the rank of 9 Star. So every month you are paid all your bonuses in accordance with the rank you achieved that month.

7 Star Performance Bonus	8 Star Performance Bonus	9 Star Performance Bonus
1%	1%	1%
\$20,000 in PGS	\$100,000 in PGS	\$250,000 in PGS

RECRUITING BONUS POOL

The Recruiting Bonus Pool rewards you for your recruiting efforts. Regardless of your rank, for each Representative you sign up in any given month that purchases a Value Pack and goes on Autoship for at least \$50.00 in commissionable products, you will receive one share of this pool. This Bonus Pool is worth 3/4% of HealthyPetNet’s monthly Commissionable Sales. For example, if you sign up two Field Reps that both purchase Value Packs and go on Autoship for at least \$50.00, you will receive 2 shares of this pool. If you sign up 10 Field Reps and all purchase Value Packs and go on Autoship for at least \$50.00, you will get 10 shares of this pool.

QUICK START BONUSES

The Quick Start Bonuses are very different from the other Bonuses in the Compensation Plan. The concept is simple ... anytime one of your customers or one of your personally sponsored Field Representatives buys a commissionable product for the first time, you receive a Quick Start Bonus. The Quick Start Bonus is usually significantly more than the maximum Retail Bonus on that product and it is paid out once a month. The purpose of the Quick Start Bonuses is twofold: (1) to get more money into your hands to help you recover the costs of customer acquisition more rapidly and (2) to get you that money quicker so you can reinvest and continue to build your organization.

The way we are able to give you more money on the Quick Start Bonuses is that unlike other bonuses, they do not go upline ... so essentially you receive all commissions from that sale.

A Quick Start Bonus is paid on one unit of any product. For example, if a customer makes a first time purchase of three of any commissionable product, you are paid a Quick Start Bonus on one unit only and you receive regular commissions on the remaining two units.

Quick Start Bonuses are paid on commissionable products only. For example, if your customer makes a first-time purchase of one bottle of Agility, the Quick Start Bonus is \$8.40 for that product. If a customer purchases a non-commissionable item, there is no Quick Start Bonus on this item.

How do I receive Quick Start Bonuses?

Since you do not have to qualify to receive a Quick Start Bonus, all you have to do is sell commissionable products to first-time buyers.

HOW OFTEN DO I GET PAID?

Regular Monthly Commissions

Retail Profits, Retail Bonuses, Foundation Bonuses, Star Club Bonuses and Performance Bonuses are paid monthly. The pay period on any monthly commission check starts on the first day of the month and ends on the last day of the month. Monthly commission checks are cut on the 20th day of the following month. For example, your month commission check for commissions earned in January will be mailed on the 20th of February.

Quick Start Bonuses

Quick Start Bonuses are paid once a month. The Quick Start Bonus checks are processed the first week of the following commission month. For example, if a customer of yours makes a first-time purchase of Agility in January, we would send the \$8.40 Quick Start Bonus check the first week of February.

Check Minimum

HealthyPetNet has a \$10.00 commission check minimum. If you earn less than \$10.00 in commissions, your commissions are held until you accumulate enough commissions to surpass the \$10.00 minimum.