Article 5

The UnFranchise System: Three Reasons Why Requirements Work

Do you understand what the UnFranchise System really means and what an UnFranchise Owner really is? What does it really mean to you?

▪ Every UFO and leader needs to completely understand this. It is as important as the Plan! Leaders need to fully understand this and be able to explain it!

▪ From my perspective, it is not just semantics or just a marketing or branding term used for positioning and promotion.

▪ It is a concept that the business is based upon and differentiates us in a way that greatly increases the probability of individual success and sustainability.

▪ It provides the systemization to build a solid, lasting business as well as to expand to any residual income level that one desires. You have heard the explanation of the UnFranchise System countless times until it loses its meaning.

▪ How would things be different without it? Have you considered it, appreciate it and know it, or do you take it for granted?

Under the UnFranchise System, all UFOs sign an Independent UnFranchise Owner Application and Agreement (IUAA), which sets forth how the business operates, every UFO’s responsibilities, policies and procedures, terms and conditions, and the company’s obligations and commitments to you, the UFO. This is the binding legal document and agreement between each UFO and the company. Every UnFranchise Owner has a contract with the company — not each other, but with the company. We must enforce its tenets, as it defines the requirements and responsibilities of a UFO under the Management Performance Compensation Plan (MPCP) on what a UFO must do to get volume credit and residual income on their organization of independent UFOs. They must correctly teach, enforce and assist each UFO to follow the policies and procedures, best practices of the UnFranchise System and the Career Manual, which defines the UnFranchise Business and forms part of the agreement. In the agreement, it defines how one is credited for organizational volume and growth under the MPCP and residual income, providing they meet their management responsibility and how their organization (who are each in a contractual relationship with the company) and customer base are protected.

▪ It establishes that the Career Manual (UnFranchise Manual like a franchise manual) forms part of the agreement.

▪ Every UFO covenants that the MPCP as defined in the agreement and official company literature is the only compensation plan and the rules that must be followed.
▪ It establishes and systemizes the four components (previously explained in the article “What Does the UnFranchise System Really Mean?”) to the “UnFranchise System” put into practice globally and for each UFO locally if they want to be part of the system and grow.

▪ Deviations, variations and violations of the UnFranchise System dilute its power, and the individual that does so loses the leverage of its power. As an independent contractor, each UFO covenants to follow the system, but we cannot force them to do it the one way that has been proven to work: The UnFranchise System way. They can try to do it “their own way” or “special technique or system,” and it is difficult to stop it; however, that doesn’t mean it is right, and they will not be allowed to be part of company-wide programs, initiatives, or be recognized as certified trainers, recognized in or participate in the Global Meeting, Training and Seminar System (GMTSS), or be promoted and edified because it has a confusing and negative effect on other UFOs. We prohibit the promotion of other systems or the “my way” variations just like McDonald’s or Starbucks does. If we didn’t, there really would be no UnFranchise Business. That is our (the company’s) indisputable right! I HOPE YOU UNDERSTAND THIS! DO YOU?

However, when someone as a UFO violates or manipulates the provisions of the MPCP and Independent UnFranchise Owner Application and Agreement (IUAA), they risk losing their UnFranchise Business, as well as jeopardizing the soundness and longevity of the Plan and put the company and every UFO’s residual income at risk. That is where we draw the line. Period!

It is the retail-driven basis and qualifications or requirements that make the Plan work, and establish financial reconciliation and viability. Everything in these provisions is there for a specific reason so the vehicle runs smoothly and is financially self-reconciling to every UFO’s benefit. Failure to meet them or to circumvent them by finding ways to “beat the system” or falsifying information or people’s identity, or using un-retailed volume dumped in auctions or foreign markets is fraud or a violation of contracts. In such cases the appropriate corrective action or legal action must and will be taken. Make sure that you are aware of this, and make your group aware of it. It is simply about protecting the UnFranchise Business, the MPCP, and the longevity of residual income for everyone. If someone does not appreciate or agree with that, they are a culprit and have to go! It is like a cancer that must be removed, eradicated, and irradiated.

The bottom line reason for the UnFranchise System and requirements is that it results in profitability and stability for both the field and company as a partnership. That is a formula for longevity. How important is longevity relative to the purpose of doing the business for residual income? If the business is about residual income, meaning you work to build it and create an organization once; but once it is done successfully, the income continues to come in week after week, month after month and year after year? Many have seen this happen and proven over the last 20 to 25 years, whether it be $300.00 to $1500.00 per week or month as well as six figures or more per year. What good is it if the company and plan are not solid, assuring longevity? Residual income is not really “residual” if it doesn’t last or if you have to start over.

That’s why I often joke about MLM: that they have a two- to three-year plan too like we have our Two- to Three-Year Plan. Theirs in MLM is to start over every two to three years because their deal doesn’t last! The same is true for people who do not build correctly following Market America’s UnFranchise System and rules of the MPCP. They create their own deviant “system” or try to “beat the system.” Unfortunately, they go to great lengths to do it their way rather than the UnFranchise Business
way. Sometimes it is even against the very rules that make the program work and solid, thereby undermining it. The ironic thing or “boomerang effect” is that they cannot stop running their “assembly line” or “fraudulent matrix” as a result of using their own flawed, self-induced and self-serving and powered system. It requires them to keep it going on their own and hiding it or it will crash. Therefore, they really do not have a residual income which is the real goal or objective of the business. The joke ends up being on them. It’s just a matter of time. It boomerangs to come back and hit them in the head and knock them out.

In the spirit of that, requirements are in place to make the MPCP work for both the company and the UFO. But we are sometimes criticized or questioned about our MPCP requirements and why they are so important to the viability of the MPCP as the economic engine in the UnFranchise System. The immediate answer is that this is NOT another MLM, game, or fly-by-night scam. It is a real business and offers huge potential, but it does require work and must be taken seriously just like any real traditional business, and without a doubt it is much easier than any traditional businesses. We worked hard to make those requirements as easy as possible to do and maintain. But for those who think they can use the system to do something that is clearly out of bounds to manipulate the MPCP and “extract” money out of the plan “fraudulently” or in breach of contract — not only do they risk getting caught “beating and undermining” the system, but it would not last. In fact, if these compensation plan manipulation activities (gaming techniques with false UFOs and dumped volume in China, auction sites or foreign markets) continued and duplicated in multiple lines of sponsorship, it would prevent the company from being financially sound operationally because the commission payout would grow out of control, preventing the company from continuing to operate — leading to Market America ceasing to exist as a viable company.

It is unbelievable that this even goes on when the Plan is so great simply the way it is and has worked for 25 years for thousands, and resulting in a solid company for longevity. So what is the point of beating the system? You (the field and all UFOs) under the MPCP and UnFranchise System actually are the system. Therefore; unscrupulous things like described in the complaint always eventually boomerangs and comes back around to the UFOs doing it and knocks them OUT! It is simply beating oneself in the end.

If it doesn’t knock the one doing it out of the business, it would eventually knock the company out if we did not detect it and stop it in time. So those that do this lose either way. It is just a question of how many people have been hurt in the process.

Everyone knows that MA takes the high road and does things right and makes sure we are based on retail and satisfying all regulatory requirements — like NO other company. It is all about longevity and profitability. We are often questioned for being so strict and systematic about it, to the point where it sometimes spawns short-lived competitors, claiming that their way is easier and simpler, and then they go out of business.

There have been more than 300 such companies in the graveyard since we began 25 years ago. What does that say to you? What does it mean or prove?

Not everyone realizes that the structure, system and requirements are there for greater reasons than regulatory compliance. They are there because they actually make the business work for each UFO! Every UFO will make more money as a result of it! Do you understand how?
Now here is the big point of this communication that I want you to get!

The Big Three Reasons

1). The obvious one is for legal and regulatory reasons: It ensures regulatory compliance and that everything is built on retail and activity rather than passivity (read the preamble to the agreements). However, that is actually even less important than the second two reasons below. They all work together simultaneously and synergistically.

   ▪ A). All commissions are based on retail sales; this is purely sound business. The regulatory concern is about when this is absent or not documented. We have always done that because it is what makes the business and MPCP work. So when it is not adhered to or done to the extent that we mandate, it damages the company’s image and reputation, as well as jeopardizes the future of the MPCP working.

   ▪ B). How it works is genius. In my previous communication in the UnFranchise News to all UnFranchise Owners and the field, I addressed this. If you have not studied it, you need to refer to the article “What Does the UnFranchise System Really Mean?” It explains how it all works together to build a business on a solid rock foundation rather than sand. Scores of companies (old and new and big and small) have been shut down for not doing it correctly or as required! Do you appreciate that? The bad media and press that can result from this alone make it difficult to expand or duplicate. Restraining orders or regulatory action and investigations have put many companies out of business. The bad media and press alone can cause a company to go into a downward slide. We are the opposite of these things and have never even been questioned. We are the epitome of doing it right. However, when UFOs do things that are “out of bounds” and hide it and it surfaces, it gets connected to our name and hurts everyone in the business doing it right. Therefore, anyone who is connected to such schemes are putting the company and its programs as well as all UFOs at risk! If the company does not have programs to detect them and stop them or prevent them, we could be held responsible because the underground culprit is stealing from the company, as well as violating the law. We must take corrective enforcement action if not legal action – and we will! The fact is that such schemes and practices hurt every single UFO! How do YOU feel about that?

   ▪ C). The obvious one reason for requirements is for legal and regulatory reasons: Activity and continued accumulation or earning is based on ongoing and regenerated retail sales. This is a great thing built into the Plan and system! It compounds volume and income without constant recruiting. It is tracked from the bottom up rather than the top down, creating income from sales up the two channels. This is a much bigger and important reason regarding how this fuels the MPCP, creating compounding income and volume. Make sure you understand, as it fuels the MPCP to earn faster and builds long-term residual income secured by others earning in each leg on retail too.

   ▪ D). As a result of this — earnings or compensation NOT based on OR dependent upon recruiting: This is the heart of the matter with regulators. Other programs pay on positions,
memberships or inventory from the top down, and the economics of the compensation plans often incent inventory loading. It is estimated and documented in some cases that as much as 50% of the volume is in inventory not sold or consumed. This is construed as inventory-loading masking — selling the right to sell and being paid on people joining and inventorying without any mechanism assuring it is retailed to nonparticipant customers or consumed FIRST. It is usually not driven by regenerated or repeat retail or consumed sales volume. Therefore, they drive the business mostly based on RECRUITING rather than sales. We can demonstrate or prove that commissions are from retail sales because of Form 1000, online sales metrics, and requiring verification of larger orders. Then retailing continues to drive the business through activity requirement to assure that retailing is happening monthly and quarterly. Again, this is all explained in detail in the article “What Does the UnFranchise System Really Mean?”

**E). Requirements mandate Management responsibility:** Always remember that the MPCP is the Management Performance Compensation Plan and that volume is not an automatic entitlement. Everyone is paid for fulfilling management responsibilities of a team and if they are fulfilled, one gets paid on the basis of retail volume generated, which translates into BV and IBV. One of those responsibilities is to make sure a UFO partner understands and meets the five steps of the Plan and the retailing and activity requirements under the plan. The senior partner is supposed to help them do this and make sure it gets done to get credit for the volume. So if someone does not meet the retailing requirements to qualify (200BV retailed with form 1000 and at least two receipts and then repeat retail sales of 150BV per quarter), the volume purges after 90 days. If they do not sell through the product and it is returned, the upstream more senior partners should buy it back — not to have the volume or commissioned reversed, as the company will refund it on request. The best practice is to make sure it is retailed or consumed in the first place as you build.

**F). Requirements guard against passive earning or Passivity:** Passivity or earning on accruing volume is the number one “enemy” of the Plan (MPCP) that could cause regulatory questions and works antagonistically against the mathematics of the plan. It stresses the math and stability of the Plan. If everyone meets the requirements and does the five steps themselves (not done for them), everyone can be paid without commissions “creeping” at unsustainable rates. It works perfectly. It has been proven actuarially for 25 years. However, when others (“bogus” UFOs or volume) are inserted in the Plan and someone else does it for them, then someone is earning passively without contributing or carrying their weight. Simple logic follows that if two or three or more people are inserted in the line and do not produce sales, regenerated sales, personally sponsor two who they manage to qualify on retail sales, then two to three times the payout is made on their passive insertion without carrying their load or actively producing sales, duplicating and managing. This causes “unearned” or “forced” commission payouts. The commissions are stressed and increase without the necessary volume, sponsoring and duplication. This is based on statistical actuarial modeling and historical data that establishes the ratio of individual production to everyone in a leg getting 100% credit for sales and accruing the volume for a year. If everyone in a line is to get credit for volume placement from sales, this cannot happen without causing the MPCP to fail.

**G). Requirements guard against Misrepresentation:** The MPCP has requirements built in to advancement and earning in the Plan (MPCP) to prevent misrepresentation, misleading, or
misunderstanding the business. If and when a sponsor or senior partner UFO doesn’t properly train or follow the system, this provision assures that the newer UFO’s business is not adversely affected because the sponsor or upstream senior partners did not do their job or failed to explain things adequately. Obviously, if the new UFO doesn’t know the administrative procedures in the MSCP, they could lose volume or potential income. This is why there are required New UFO trainings and ECCT trainings to earn in the MSCP. It ensures that every UFO got the correct company training. It also works to prevent outright misrepresentation by a sponsor or upstream senior partner of how the Plan or business works, the product claims, or other material facts or requirements as to how the UnFranchise Business works and is administered. No one can say that deviant fabricated variations of executing the MSCP differently by UFOs “beating the system” was the company’s fault because a sponsor or senior partner didn’t show them something or showed them something totally different. They must take a New UnFranchise Owner Training (NUOT) and Executive Coordinator Certification Training (ECCT) and be tested and certified to continue accruing volume or earning in the Plan.

This is a great thing built into the Plan and system! It compounds volume and income without constant recruiting.

2). It makes the Plan work by compounding volume from repeat retail sales! The UnFranchise model of a proven system and best practices is to generate a solid foundation of reoccurring or regenerated volume from retail sales and consumption by end users. This is bigger and more important than “1” above.

Activity and continued accumulation or earning are based on ongoing and regenerated retail sales that are built into requirements and activity provisions that mandates selling and regenerated volume from an existing or new customer base. Some of these customers must be non-participants of the Plan. This is a much bigger and important reason for requirements.

- This was the intent, purpose and thinking in the original design of the Plan. These requirements were put in to drive repeat volume from retailing, causing compounding accumulation of volume up the lines. In addition to all the problems and deficiencies, that it solves, the compounding volume in contrast to other types of plans or opportunities that do not have it. The Plan was actually created and designed to track retail sales and reoccurring volume that when accumulated vertically and infinitely weekly or monthly, results in a compounding effect of repeat volume weekly up the two channels of a Business Development Center (BDC). It works from the bottom up rather than the top down and because there are only two legs and nothing is added outside of them the volume compounds.

- Stop and think about this for a moment. This is why so many of the early pioneers have such large and solid incomes for 10 or more years without slipping at all when they slowed down or took time off to live their dreams.

- It is the fuel that makes the MSCP and UnFranchise Business most powerful and is the fuel for stable residual income not solely based on recruiting, and requiring fewer people and less
volume to maintain a residual income level on top of the retail profits (which allow for a positive cash flow when starting and a nice additional income after the business starts to grow).

- **Residual income is based on both new volume and reoccurring volume.** Reoccurring volume and regenerated volume is the fuel or power of the vertical system when it gives 100% credit to everyone qualifying without dilution and takes the time limits off to reach thresholds to get paid. If there is no reoccurring retail sales volume and the system doesn’t measure or mandate it and track it for activity, it requires constant replacement of volume by buying in or recruiting more people.

- **Without reoccurring sales and regenerated sales (which is one of the differences between other programs attempting to copy us and call themselves “binary”) is the fact that the program is not based on reoccurring repeat sales.** Fundamentally, other such programs are based on recruiting, spots, positions, levels, memberships, or required purchases of inventory monthly to have the right to earn on others rather than like in our MPCP, where it is based on repeat and reoccurring sales from the bottom up. The result of this is that the program is inherently walking a thin line regarding legal and regulatory mandates. More importantly, it requires increasingly larger or exponentially greater numbers of people recruited at the base line in order to sustain itself and for the people at the top (or in between) to continue earning.

- **The UnFranchise Business and the MPCP do the opposite and, in fact, create a compounding effect of volume, accelerating residual earning at the top plus resulting in other UFOs earning on both sides, which results in stability and security. Do you understand and appreciate this?**

3). Economic and financial stability of the MPCP. The things we do with requirements and the systems and the requirements allow the MPCP to work mathematically and to be self-reconciling. How important is that to you?

- The mathematics of the marketing plan is a set of complex formulae and equations based on algorithms and actuarial statistics. It cannot be tampered with or manipulated, and UFOs must follow the systems and meet the requirements. **Otherwise it does not work!**

- **Deviations and manipulative schemes affect the math of the Plan and cause it not to balance or be self-reconciling.** It works perfectly when done right. So when someone does this and plays games, it causes the formula or equation not to balance or solve itself. This is stealing from the company and undermining every UFO’s business and security. Such things cheat everyone!

Accumulation, infinite search, and taking the time limits off to earn rather than resetting monthly can only work and exist when the Plan is done correctly and as it was designed.

Manipulating the Plan would undermine and destroy the economics of the MPCP, resulting in out-of-control, uneared, fraudulent commissions, resulting in economic loss to the company and cause the company to eventually implode and collapse! **It can cause the Plan to CRASH!** That is why we must stop it at all cost, and we hope you will help us do that. These practices are similar to things we uncovered years ago and had to take extreme enforcement action and enact additional safeguards and
rules to prevent it. Does anyone want that after 25 years of stability ensuring longevity and profitability for the sake of residual income, which is the real purpose of the business for every UFO? Or do you want it threatened by underground, secret, manipulative schemes to beat the system. Will you take any responsibility in protecting our future by eliminating these things? Any manipulation of the market plan resulting in unearned commissions would destroy the company economically and financially. This is the one vulnerability of the Plan resulting from its genius design to make it more realistic for the average person and providing greater earning potential for leaders who want a six-figure income or higher. The Plan is vulnerable to passive earning or “gaming,” manipulation with fake centers, and fraudulent, forced payouts. The math of the Plan requires activity, everyone carrying their own weight, and meeting retail, activity, and personal sponsoring or activation requirements with real people who duplicate the same. I do not know how to state it any clearer.

Conclusion: Everything on the Plan or MPCP and UnFranchise System are there for a good reason and ensures that it works. Requirements are your best friend because they protect the business, ensure longevity and profitability, and are necessary for longevity and residual income. Violations of the Independent UnFranchise Owner Application and Agreement (IUAA) and MPCP rules, as well as the UnFranchise Business or “beating the system” cannot be tolerated, as it puts every UFO and the company at risk. Beating or circumventing requirements is senseless because it causes the MPCP to fail and is a boomerang that will come back to boomerang and knock the person doing it out of the business. If they got away with it, it would undermine the MPCP and destroy the company, so either way they lose. More importantly, the requirements actually drive the business and residual income and were designed to result in compounding volume, which translate in more people earning residual income and secures the income of top leaders. The Business Plan is incredible and unequaled, as well as relatively simple — why not just do it right. We are all in this together as partners. We need you to understand this and defend the UnFranchise System and make it possible to have a better second 25 years than the first. Can I count on you? It all still comes down to our number one product — BELIEF!

Keep Growing,

JR RIDINGER