

Changes to the Compensation Plan.

Please read this document carefully to ensure you understand how these changes will affect your business

Important changes on recruiting new Distributors

Most network marketing companies depend upon a constant stream of joining fees from unsuccessful new Distributors to fund their growth and the payments to their Up-line. Telecom Plus is different. We want every single new Distributor to succeed – and the more successful they are, the more successful we will become!

We are aware that some new Distributors join Telecom Plus full of enthusiasm, but never fulfill their true potential. In some cases, they never even get started. So today, we are making some exciting changes which will give all new Distributors the best possible chance of success!

We believe there are two things we need to change:

- i. We need to make it easier and simpler for new Distributors to get started; and
- ii. We need to ensure that someone is there to actively help them to qualify their position, and show them just how easy it is to gather customers.

Making it easier with 6 simple steps

Currently, new Distributors are expected to learn all about our services (in order to start gathering customers) and all about the business opportunity (in order to start building a team), all at the same time. Not any more!

In future, new Distributors will only need to learn about how to gather customers so they can qualify their position as quickly as possible.

We are making this easier than ever before – from 15 January 2012, anyone with just three personal customers will be a Qualified Distributor!!

Then, once they are qualified, they will be able to attend a separate COE 'Team Building' course and start recruiting other new Distributors.

Summary of the new process for new Distributors

- Step 1: Complete online training.
- Step 2: Attend COE 'Skills' training course.
- Step 3: Gather their first 3 customers face-to-face **accompanied by an experienced Distributor** (see below).
- Step 4: Attend COE 'Team Building' training course to learn how to sponsor effectively.
- Step 5: Start recruiting new Distributors into their team.
- Step 6: Help their new Distributors to gather their first three customers. And so on...

What else do I need to know?

With effect from 15 January 2012:

1. Getting Started 'Skills' training will only cover customer gathering.
2. All Distributors now only need 3 customers to qualify their position, making it easier and quicker to climb the Stairway to Success. This change will create over 4,500 promotions overnight!!!
3. Once qualified, new Distributors need to attend the COE 'Team Building' training course (they cannot start to recruit other Distributors until they are qualified and have attended training).
4. The joining fee remains at £100. A '90-Day Starter Bonus' of £100 will be payable if they gather three Qualifying Customers within their '90 Day Starter Bonus' period.
5. Activity points will no longer be relevant for new Distributors to earn their '90-Day Starter Bonus'.
6. We will only be able to process an application form for a new Distributor where the Sponsor is unqualified if an experienced Distributor (see below) is taking responsibility for training them.

So who is this 'experienced Distributor' who is going to help them get qualified?

It can either be the Sponsor, or the Recruiter, or a Mentor.

If you want to build a serious Telecom Plus business, then you need to build a team of like-minded people. And they need to be successful too. There is no point in recruiting lots of new Distributors into your team, if they never actually do anything!

That's why it is so important that someone is there to help them get their first three customers and qualify their position.

New Distributors need more than just a few words of encouragement – they need someone to accompany them on their first few appointments, and help them sign up their first few customers.

And that's why we are introducing a much more generous TBB bonus to make it really attractive for experienced Distributors to do so.

How will this new (more generous) TBB be calculated?

In addition to the current TBB (£50 when the new ID earns their Starter Bonus, and £100 when they achieve 50 personal customers within 12 months) the experienced Distributor will receive matching CGB on the first three customers gathered face to face (using either a paper application form or the new web-based sign-up process) by any new ID they are responsible for until the end of their '90-Day Starter Bonus' period – that could be **over £100 extra** for each new Distributor (making a total available TBB of over £250)!!

Example: You help your new Distributor gather three customers face to face within 90 days. They are all Qualifying Customers taking BroadCall, Mobile, Gas and Electricity. You will earn between £82.50 and £112.50 matching CGB, plus £50 original TBB, making a total first TBB payment of up to £162.50!

This TBB can be paid to the Sponsor, the Recruiter or the Mentor – you decide!

How much TBB will Leaders receive?

Where TBB is being paid to a Leader (with a Status of GL or above), it will in future be payable at the new higher rates payable to all other Distributors – the current 50% reduction will no longer apply.

What is a Mentor?

A Mentor is an active and experienced customer gatherer (with at least 20 personal customers), who has agreed to help new Distributors in their local area to qualify their position in return for the new enhanced TBB they will receive.

When do I need to use a Mentor?

You may want to choose a mentor to look after a new Distributor in your team:

- i. if for some reason you are too busy to look after them yourself; or
- ii. if they live in a different part of the country (for example, you live in London and have recruited a good friend who lives in Scotland); or
- iii. if you have placed the new Distributor under someone who is unqualified, or no longer active.

Remember, TBB can be earned by either the Sponsor, the Recruiter or the Mentor... the important thing is that someone is going to be there to help!

Please note the following:

1. A Mentor does not need to be in the same team, but does need to live within an approximate 20 mile radius of the new recruit;
2. If you know a suitable Mentor, then you can enter his details on the new Distributor application form (but check with the Mentor first!). Otherwise, you can tick the 'Mentor Required' box and Partner Services will allocate a local Mentor to look after your new Distributor.
3. If you have recruited someone and they live further than 50 miles from you, then they must be looked after by a Mentor (unless you have placed them under a qualified local Sponsor).
4. Partner Services will maintain a database of Mentors. If you would like to be a Mentor, and you have more than 20 personal customers (and have gathered at least 3 customers in the last 6 months) then please email mentor@utilitywarehouse.co.uk
5. If you have chosen or requested a Mentor, then the Mentor will automatically receive any TBB generated by that new Distributor.
6. If you are the Recruiter and the Sponsor, and there is no Mentor, then you will automatically receive the TBB (but you must be qualified).
7. If you are the Recruiter, and you place the new Distributor under another Distributor, then you need to choose which of you will receive the TBB – if neither is selected, then any TBB will go to the Sponsor.
8. We will pay an annual prize of £5,000 to the most effective Sponsor/Recruiter/Mentor, based on a combination of their percentage success rate in helping the new Distributors

they are responsible for to earn their '90 Day Starter Bonus', and the number of new Distributors they have been responsible for helping during the year.

Transitional Rules for Distributors who have not yet completed their first 90-Days

All new Distributor applications processed by us on (or after) 16 January 2012 will be subject to these new rules and procedures. Existing new Distributors will benefit from the best of both worlds!

We will review the activity of any Distributor whose application was processed by us between 1 October 2011 and 15 January 2012 at the end of their '90-day Starter Bonus' period. If they have earned 10 activity points under the current rules, then they will receive a '90-Day Starter Bonus' of £200. If they have got less than 10 activity points but have gathered three (or more) Qualifying Customers, then they will receive a '90-Day Starter Bonus' of £100 in accordance with the above new rules.

Higher rates of Personal CVC for residential Club Members

We are simplifying (and substantially increasing overall) the rates at which personal CVC is paid.

Highlights include an increase in the rate of energy CVC on Home Owners from 2.3% to 2.5%, and an increase in CVC on Landline calls to 6%. And members of our Plus Clubs can now earn up to an extra 25% on top of these new higher rates!

In addition, we are introducing a new higher rate of Personal energy CVC for 'Established Tenants' who have demonstrated a satisfactory payment history with us, and we will also be paying Personal telephony CVC at full rate!

Type of Service	Personal CVC rate
Landline Calls (Home Phone and BroadCall)	6% (was 4.8% to 5.3%)
Mobile (Calls and monthly charges)	5% (was 5.3%)
BroadCall (Fixed monthly charges) - Standard	2.5% (was 2.4%)
- Max	5.0% (was 4.8%)
Broadband	
- Lite	2% (was 2.4%)
- All other	4% (was 3.6% to 4.8%)
Energy	
- Owners	2.5% (was 2.3%)
- Tenants	1.0% (was 1.15%)
- Established Tenants	2.0% (was 1.15%)
CashBack (from Clubhouse shopping)	6% (was 4.8%)
Membership Fees	
- Value	2.5% (was 2.4%)
- Premium	5.0% (was 4.8%)

Note 1: New personal energy CVC of 2% for 'Established Tenants' is paid on tenants who have been a member for at least 12 months, are paying by DD, and have no outstanding balance on their account.

Note 2: The 10% reduction in Home Phone CVC for customers who do not have their line rental with us will no longer apply.

Note 3: The 50% reduction in Personal CVC on telephony services taken by tenants will no longer apply, and their telephony CVC will therefore be payable in future at the same rate as for Home Owners.

Note 4: There is no change to the minimum activity requirements in order to receive full-rate CVC, except that a 'SIM-only mobile-only' customer will no longer be counted for any activity qualification requirements (but will still generate CVC and count as a group customer while they remain active).

New higher personal CVC for 'Plus Club' members

If you are a member of one of the 'Plus Clubs' (50+, 100+, 200+ or 500+) when your commission is calculated, then you will receive an uplift on your total personal CVC calculated at the following rates:

<u>Plus Club</u>	<u>Telephony Services</u>	<u>Energy Services</u>
50+ (and 100+ Club)	10%	5%
200+ Club	15%	7.5%
500+ Club	25%	10%

This provides a significant financial incentive to achieve (and maintain) membership of our Plus Clubs.

For example, a typical member of the 200+ Club with 250 personal customers could earn almost £2,000 extra per year, which is significantly more than under the previous rules.

New Downline CVC

We are changing the way in which you will earn downline CVC. Instead of paying a variable amount which fluctuates each month depending on how much each customer has used our services, we will in future be paying a fixed amount for each service they are taking. The higher up the Stairway to Success you have climbed, the higher the amount you will receive, as set out in the following table:

<u>Status</u>	<u>Pence per eligible service</u>	<u>Paid down to (and including) the level shown below, at full rate</u>
QD	8p	8
TL	9p	8
STL	10p	8
GL	10.5p	8
SGL	11p	10
NGL	12p	12
NNL	13p	14

The major benefit of this new approach is that it provides a direct link between the growth of your team and the growth of your cheque. All Distributors will now see their monthly CVC will grow steadily as they build their business, subject to not being overtaken or reaching their maximum potential earnings (see below), with no seasonal variations. The above new rates will apply to all customers in your downline, including those in the Business Club.

Reduction to rate at which we pay 'deep downline' CVC

In order to protect the concept of paying to infinity, we need to reduce the rate at which downline CVC is paid deep within everyone's businesses. The following percentages will be applied to the 'pence per service' amounts shown in the Downline CVC table above in order to determine the downline CVC you will potentially receive:

First 8-14 levels (depending on status)	100%
Next 8 levels	50%
Remainder	25%

Example: If you are an STL, you will earn 10p per service on all your customers on levels 2- 8, 5p per service on your customers on levels 9-17, and 2.5p per service on customers on level 18 and below, subject of course to all the rules of the compensation plan.

Higher downline CVC on tenants

In line with the changes we are making to the rates of personal energy CVC, we are also increasing the rate of downline CVC which we pay on 'Established Tenants'. In place of the current 50% reduction in downline CVC on all tenants, downline CVC on 'Established Tenants' will only be subject to a reduction of 25%.

New monthly commission limits

In order to create an appropriate incentive for Distributors to continue climbing the Stairway to Success as the business continues to grow, to enable us to continue paying downline CVC to infinity, and to ensure we can remain competitive and profitable, we are introducing a limit on the maximum monthly income which a Distributor can earn at any Status within the business. These limits are being set as follows:

<u>Status</u>	<u>Maximum monthly potential earnings</u>	<u>Maximum annual earnings</u>
QD	£2,000	£24,000
TL	£3,000	£36,000
STL	£4,000	£48,000
GL	£5,000	£60,000
SGL	£10,000	£120,000
NGL	£20,000	£240,000
NNL	£30,000	£360,000
NNL with 1 Star	£35,000	£420,000
NNL with 2 Stars	£40,000	£480,000
NNL with 3 Stars	£50,000	£600,000
NNL with 4 Stars	£60,000	£720,000
NNL with 5 Stars	£83,333	£1,000,000

Income Protection for all existing Distributors!

We have modelled this new plan for all Distributors on the commissions we paid in November 2011. This shows that over 7,000 Distributors would have seen an immediate increase in their commissions, around 8,400 would have seen a change of less than £1, and around 300 would have seen a reduction of more than £1 (in most cases because they have been overtaken in Status by a member of their team, or because they have a high proportion of customers in their deep-downline).

We have therefore decided to offer all Distributors full protection at their most recent income level for a full 12 months. That means the CVC you were paid last month (in November 2011) is potentially fully protected until December 2012. This will give you time to build your business and grow your income under the new Compensation Plan, so that by the end of this income protection period you are earning more than you received last month.

What do I need to do to receive this protection?

To benefit from this protection, you simply need to have gathered at least one new customer during the preceding calendar month (but not starting until January 2012).

How will this work?

CVC in the commission run for January 2012 (which will be paid on or around the 25th of January) will be calculated using these new rules. If the CVC we calculate under these new rules is higher than the CVC you received in November 2011, then you will receive this higher amount. However, if your new CVC is lower, then you will receive the same amount of CVC that you were paid in November 2011.

No-one will receive less CVC in January 2012 than they received in November 2011.

However for the commission run that takes place in February 2012, you need to have gathered one new customer in January in order to benefit from this Protection. If you have done so, then you will not earn less than you received in November 2011. If you have not met this activity requirement, then you will be paid whatever commission you are entitled to receive under the new Compensation Plan rules.

This means that provided you gather one customer each month (and maintain at least 3 personal customers who are each taking at least one eligible service) then you will receive a guaranteed minimum payment each month for the whole of calendar year 2012 irrespective of what happens to your Status, the Status of your teams, falling customer numbers, reductions in tariffs, non-payment of bills etc!

'Mobile Only Sim-Only' customers

Due to significant abuse by certain Distributors, new 'mobile only' customers (ie: not taking any other services from us) will in future not be counted for any activity requirement under the compensation plan, unless the customer has taken a new mobile handset and accepted a minimum

contract term. For the avoidance of doubt, they will still count towards group customer numbers and generate both personal and downline CVC while they remain active.

Business Club

We are also increasing the Personal CVC rates payable on Business Club Customers taking telephony services to align them with the new rates being paid on residential Club members. However, the rate we pay on energy is being reduced slightly from 2.3% to 2% (in line with the rate being paid on Established Tenants) due to the high energy bad debt we are experiencing on average throughout the Business Club.

In conclusion

This document summarises changes which are expected to have a material and widespread impact on most of our Distributors. Please take the time to read them carefully.

Follow the Plan, build your team, climb the Stairway to Success, and your monthly CVC will grow steadily, month in and month out, whatever the weather, whatever the season.

For Telecom Plus to succeed, we need you to succeed. And by working together to grow this amazing business, we will all continue to reap significant rewards for many decades to come.

Wherever you want to go in your life, this business can be the vehicle that takes you there.