



Direct Cellars
Compensation Plan US Edition



Learn how to get paid with Direct Cellars.



GLOSSARY OF TERMS



GLOBAL

Direct Cellars will use the same compensation plan for all countries. Direct Cellars genealogies will be global. There are no sponsoring restrictions between open countries. All plan qualifications rules are based on Qualifying Volume (QV), a global point value not tied to a local currency. Payouts are based on Business Volume which is local to each currency and is discussed below in each payout rule description. You can only join in your country of residence.

SPONSOR

This refers to the individual who has personally enrolled a prospect to join Direct Cellars.

REP

Short for representative. Rep meaning a distributor who can promote Direct Cellars.

CUSTOMER

Customers purchase Direct Cellars memberships in a monthly recurring order program.

ACTIVE

Representatives maintain active status by having at least 40 QV each month.

BV (BUSINESS VOLUME)

Direct Cellars assigns business volume (BV) to every retail product separately based upon the local market (Country and Currency) for every commissionable product.

QV (QUALIFYING VOLUME)

Direct Cellars assigns a qualifying volume (QV) amount to each SKU separately. QV is a global, non-denominated point value.

RECURRING ORDER PROGRAM (MAP)

A program where you automatically order a set amount of wine every month.

ORDER VOLUMES

Accumulated Volumes: Direct Cellars accumulates the volume from orders into the following totals that are then used throughout the plan. For reporting and auditing, the system must track these historical values for each month.

Business Volume (BV): Direct Cellars assigns business volume (BV) to every retail product separately based upon the local market (Country and Currency) for every commissionable product.

Personal Qualifying Volume (PQV): The total monthly of the QV of personal consumption orders, plus the QV of all Personally Sponsored Customers' orders.

Personal Commissionable Volume (PCV): Often called PV, this is the total of the BV of all personal consumption orders, plus the BV of all Personally Sponsored Customers' orders.

Qualifying Volume (QV): Direct Cellars assigns a qualifying volume (QV) amount to each SKU separately. QV is a global, non-denominated point value.

BV vs QV: Direct Cellars sets BV per SKU. BV is the basis for commission calculations. QV is a global point value for determining ones activity level.



MEMBER TYPES

Customers: Customers purchase Direct Cellars memberships in either a 4-bottle or 2-bottle monthly recurring order program. Customers participate in customer reward programs. See the Three and Free section for details. Customers are ineligible for all commissions and bonuses in the Direct Cellars Compensation Plan.

Representatives (Reps): All Reps participate in the Direct Cellars Compensation plan, including sponsoring other Reps and receiving commissions and bonuses. Direct Cellars' Reps also gain access to a personal website and a back-office site as part of their initial enrollment. Reps can also participate in the Three and Free customer reward program.

Customers who want to Become a Rep: Customers can choose to become Reps at any time by completing the normal Representative enrollment process and purchasing a starter package. The new Rep will retain all personally Sponsored Customers they had Sponsored as a Customer. The new Rep will retain the same ID number.

Member: When discussing Customers and Reps collectively, we call them members.

Membership BV (MBV): The BV from monthly wine club membership orders, Case Purchases, and any other commissionable product that is not a Starter Package.

	CUSTOMERS	REPRESENTATIVES
Monthly Recurring Wine Shipments	X	X
Access to Wine Education Materials	X	X
Invitation to local Direct Cellars Events	X	X
Three and Free	X	X
Fast Start Bonus		X
Binary Rewards		X
Unilevel Awards		X
Matching Bonus		X
MLM Business and Compliance Training		X
Recognition and Challenge Awards		X
Case Price Discount		X



ENROLLMENT OPTIONS

Customer Enrollment Options: Customers enroll in Direct Cellars wine membership clubs by simply going online and selecting the wine club membership of their choice.

Representative Enrollment Options: Direct Cellars offers 3 enrollment options to new Reps in the U.S.

Premium Wine Lover (PWL): Enroll with the purchase of the Premium Starter Package and receive

- 20% discount on personal wine case club program.
- Personal Website and BMS access.
- 4 bottles of premium wine.

Premium Wine Lover Elite (PWLE): PWLEs enroll with the purchase of the Elite Starter Package and receive

- 40% discount on personal wine case club program.
- Personal Website and BMS access.
- 12 bottles of premium wine.

UK Enrollment Limitation: A U.K. member desiring to enroll as a PWLE will need to enroll initially as a PWL, then upgrade to PWLE after their initial 7 days.

Total Starter Business Volume (TSBV): All BV generated from starter packages.

Annual Renewal: Direct Cellars will charge an annual renewal fee to Reps for their back office and personal web sites. Details are pending.



QUALIFICATIONS

Active: Representatives maintain active status by having at least 40 QV each month. Customers are Active if they are current in a Monthly Autoship Program (MAP). A Customer is 'current' when their most recent shipment was paid and they are scheduled for their next monthly shipment.

Qualified: A Rep with at least one Active Rep in both their Right and Left teams.

Active Customer Count (ACC): Count of Active Customers on the first level of a Rep or Customer.

Reward Qualified: Reps or Customers who have met the qualifications in the Three and Free reward program in the prior month. Members who are Reward Qualified receive their personal Wine Club shipment at no charge, excluding shipping. See details in the Customer Rewards section below.

For reporting and auditing, the Direct Cellars compensation plan system must record the status of these qualifications in the history of each monthly and weekly period.

TITLE PROMOTIONS

Unless promoted mid-month, Reps are paid based on the highest title they held in the month prior to the month that contains the last day of the weekly period being paid.

TITLE	CODE	PROMOTION QUALIFICATION
Wine Lover	WL	Initial title received after enrollment
Wine Enthusiast*	WE	Qualified And At Least 2 Active Personally Sponsored Reps
Wine Critic	WC	Qualified And At Least 3 Active Personally Sponsored Reps
Wine Specialist	WS	Qualified And At Least 4 Active Personally Sponsored Reps
Wine Expert	WEx	Qualified And At Least 5 Active Personally Sponsored Reps
Wine Connoisseur	WCon	Qualified And At Least 6 Active Personally Sponsored Reps
Wine Aficionado	WA	Qualified And At Least 7 Active Personally Sponsored Reps
Wine Master	WM	Qualified And At Least 8 Active Personally Sponsored Reps
Master Cellar	MC	Qualified And At Least 9 Active Personally Sponsored Reps

Title Promotions: Title promotions can be achieved mid-month, in the week achieved. The Rep is then paid at the new title through the rest of the month and the promoted title is the Rep's minimum title for the next full month.

Title Demotions: Reps are always paid based on the higher of their high title in the prior month or on any promotions that occurred in the current month. Therefore, if a Rep loses personally Sponsored Reps, the demotion doesn't take effect until the first week of the next month.

Paid-As Title Qualifications: This plan does not use paid-as title. Reps are always paid according to their earned Title.

PAYOUTS

Direct Cellars' Reps can earn 4 types of payouts:

- Fast Start Bonus – Paid on starter packages of newly enrolling Reps
- Dual Team Pay – Paid on the Total Starter Business Volume (TSBV) which is all BV generated from starter packages.
- Unilevel Pay – Paid on the MBV
- Check Match Bonus – Paid as a percentage of downline Dual Team Pay and Unilevel Pay only.
(This bonus is not paid on Fast Start Bonus.)

Direct Cellars pays all earnings weekly. Commission periods end at midnight Eastern Standard Time on each Wednesday. Earnings are paid the 2nd following Friday. Example: For a commission period ending on Wednesday, 21st June Direct Cellars will pay on Friday, June 30th 5 pm Eastern Standard Time. Direct Cellars will pay Rep's in their local currency.

PAYOUT TYPES

Retail Commission: There is no retail commission payout in the Direct Cellars compensation plan.

Weekly Fast Start Bonus: Reps of all ranks earn a one-time Fast Start Bonus on each Premium Wine Lover and on each Elite Premium Wine Lover they enroll, and on any Premium Wine Lovers their Customers enroll, depending on the newly enrolled Rep's starter package level.

STARTER PACKAGE LEVEL	PRICE	BONUS AMOUNT	BV
Premium Wine Lover Elite	\$499.95	\$250.00	200
Premium Wine Lover	\$249.95	\$125.00	125
Club4 Customer	\$79.95	\$0	40
Club2 Customer	\$49.95	\$0	20

This bonus always pays out to Reps. There are no active or eligibility requirements, except the bonus always pays to the first up-line Rep, in the Sponsorship Tree. If a new Rep enrolls via a Customer's website, the system will search upline until it finds the first Rep. That Rep will receive the Weekly Fast Start Bonus on the newly enrolled Rep.

Cross-Country Fast Starts: In the case where the Sponsor is in a country with a different currency than the new Rep, the system will convert the payout into the Sponsor's currency. Direct Cellars sets the exchange rate for each weekly and monthly period.

CUSTOMER REWARDS

Direct Cellars offers the Three and Free reward program to encourage and reward their customers for referring the wine club memberships to other Customers. Essential to program is the ability to link Customers to the Customers they referred. Direct Cellars makes this easy for the Customers by providing:

- A referral code that is unique to each Customer.
- A website for Customers to send their prospects to so they can enroll in wine club memberships.
- A Wine Club back office site providing the Customer access to wine education materials and access to local Direct Cellars events, as well as the status of their Three and Free reward program.



▶ THREE AND FREE

Customers and Reps who refer 3 other customers can receive their monthly wine shipment for free, excluding shipping charges.

Qualifications:

In any month where a Customer or Rep has paid their wine membership fee and has 3 paid personally Sponsored active Customers, their next month's wine is free.

Rules:

Direct Cellars manages this by awarding customers points, called Direct Cellar Dollars (DCD), for each customer purchase. Each customer's monthly order awards 20 DCD, for both the 4-bottle and the 2-bottle memberships the Customer's Personal Sponsor.

Customers also receive 20 DCD each month they pay for their own membership. Customers do not receive DCD for the purchases of Reps.

In any month where a customer has 20 personal DCD and at least 60 DCD from other customers, their next month's wine is free. The customer must still pay for the shipping charge.

Orders paid with DCD points generate DCD, QV, and BV normally for all purposes. DCDs do not roll up past inactive customers.

Carryover:

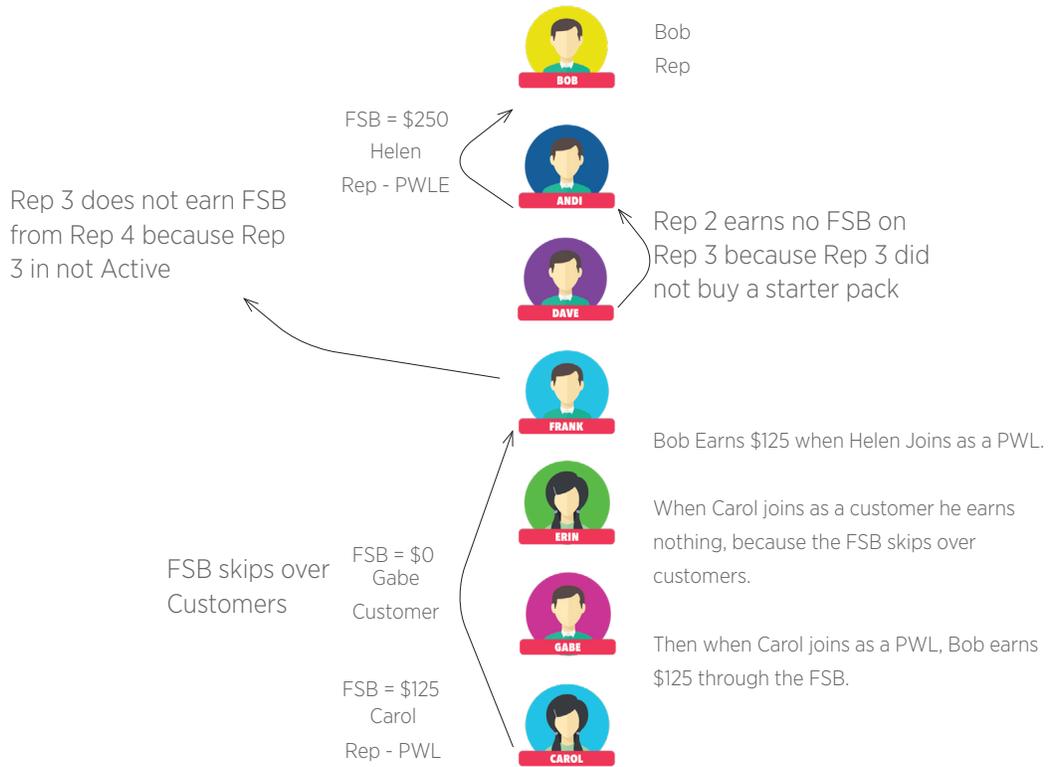
For active customers, DCDs in excess of 80 (20 personal and 60 from personally Sponsored customers) will carry forward to the next month. DCDs less than 80 do not carry forward to the next month and reset to zero.



FAST START BONUS

The general rule is that Fast Start Bonus pays out on the Starter Business Volume (SBV) on an order to the originating Rep's first upline Rep, who might be different than the originator's personal Sponsor.

Using the Sponsoring Tree Leg:



UNILEVEL WEEKLY PAY

Active Reps are eligible to receive a Unilevel Bonus as shown in the table below. The percentage paid and the depth paid depend on the Rep's title in the weekly period.

Pays on the MBV of the monthly memberships that were paid-for in the weekly pay period.

The Direct Cellars system will calculate Unilevel Pay in the currency of the original order and exchange to the Rep's local currency when disbursed.

LEVELS									
Titles	1	2	3	4	5	6	7	8	9
Wine Lover	10%								
Wine Enthusiast	10%	5%							
Wine Critic	10%	5%	5%						
Wine Specialist	10%	5%	5%	4%					
Wine Expert	10%	5%	5%	4%	4%				
Wine Connoisseur	10%	5%	5%	4%	4%	3%			
Wine Aficionado	10%	5%	5%	4%	4%	3%	3%		
Wine Master	10%	5%	5%	4%	4%	3%	3%	2%	
Master Cellar	10%	5%	5%	4%	4%	3%	3%	2%	2%

Customers are ineligible to receive the Weekly Unilevel Pay. However, the genealogy place-holders for Customers do count as a level. The Unilevel payout that might be due to the place-holder does not roll-up.

MONTHLY ORDER	PRICE	MONTHLY BV
Active Rep (4 bottles)	\$79.95	40
Club4 Customer	\$79.95	40
Club2 Customer	\$49.95	20

Cross-Country Unilevel Pay

The system will calculate the Unilevel Pay in the currency of the original order. Then, in the case where the Sponsor is in a country with a different currency than the Rep that originated the volume, the system will take one more step, to convert the payout into the Sponsor's currency. Direct Cellars sets the exchange rate for each weekly and monthly period.

13-Month Carryover Flush

Direct Cellars uses a 13-month carryover flush. Direct Cellars tracks all BV to the month it was earned. Unused BV carries forward for 12 months. If unused after 12 months, Direct Cellars flushes the 13-month old volume in the 13th month.

WEEKLY CHECK MATCH BONUSES

Active and Qualified Reps are eligible to receive a Check Match Bonus as a percentage of the Dual Team Pay and of the Unilevel Pay for up to 4 levels in the Sponsorship Tree. The % received and the Depth paid are controlled by the Rep's Title in the weekly pay period as shown in the table below.

LEVELS				
Titles	1	2	3	4
Wine Lover	10%			
Wine Enthusiast	10%	5%		
Wine Critic	10%	5%	4%	
Wine Specialist	10%	5%	4%	3%
Wine Expert	10%	5%	4%	3%
Wine Connoisseur	10%	5%	4%	3%
Wine Aficionado	10%	5%	4%	3%
Wine Master	10%	5%	4%	3%
Master Cellar	10%	5%	4%	3%

This payout is calculated on the actual Dual Team Pay and Unilevel Pay dollar amount of downline Reps, after any currency conversion for any cross-currency earnings. The sequence would be:

1. Calculate Dual Team Pay
2. Calculate Unilevel Pay in the currency of the originating order
3. Exchange any cross-country Unilevel Pay into the payee's currency
4. Sum Dual Team Pay and Unilevel Pay
5. Calculate the Check Match Bonus

Customers are ineligible to receive the Weekly Check Match Bonus. However, the genealogy place-holders for Customers do count as a level. The Weekly Check Match Bonus that might be due to the place-holder does not roll-up.

CHECK MINIMUM

\$25 check minimum. Direct Cellars will disburse accumulated earnings to Reps once the amount is at least \$25, (or equivalent amount per country). When a Rep earns less than \$25, Direct Cellars will retain it on account for the Rep until accumulated earnings are sufficient for disbursement.

REFUNDS

For any return or sales adjustment for any reason that results in a reversal of a sale from a closed period, Direct Cellars will calculate negative earnings paid against the original sale for Fast Start Bonus and Unilevel Pay and deduct it from future payments to the upline.

TEAM BUILDING

Direct Cellars uses two genealogy trees to track the enroller of all their Customers and Reps when initially enrolled.

Direct Cellars places Reps and Customers in both trees.

Personally Sponsored: For each member, the member who originally enrolled them is their Personal Sponsor and that member is the one who Personally Sponsored them.

Dual Team Tree: The second tracking tool you have in Direct Cellars is the Dual Team Tree. In the Dual Team Tree you have a single left team, and a single right team. After the first two positions are filled, any subsequent enrollments will spillover to deeper levels under the sponsor. Direct Cellars automatically 'places' these new enrollees using either a strong-left or strong-right strategy, per the Sponsor's preference.

Sponsorship Tree: A 'Sponsorship tree' is used for everything else. This tree has unlimited first-level width, so Direct Cellars places all new recruits on the Sponsor's first level.

First Level: For each member, every member on the next level down, in Sponsorship Tree, are 'first level' to the member.

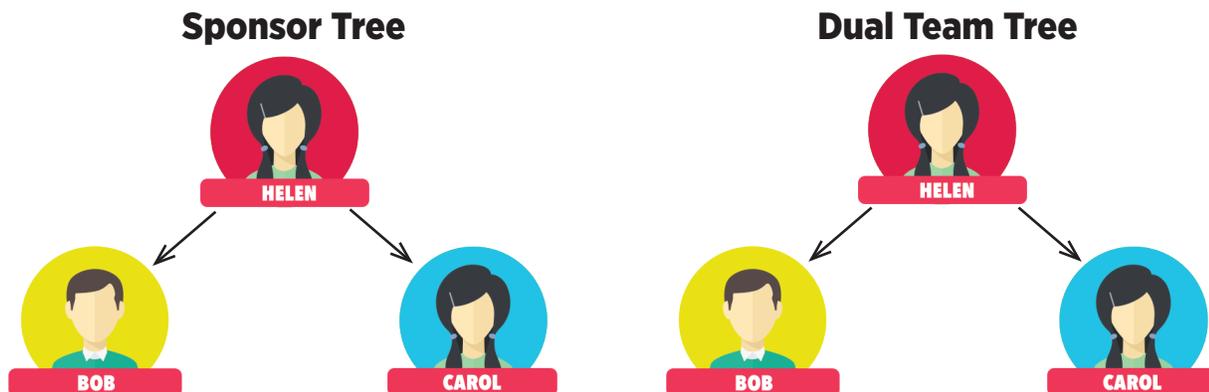
Membership Business Volume (MBV): The BV from monthly wine club membership orders, Case Purchases, and any other commissionable product that is not a Starter Package.

Notes: Although Customers do not participate in the compensation plan, Direct Cellars reserves a place-holder in both genealogy trees for them in the event they choose to upgrade to Representative in the future.

Examples: These examples start with a Rep named Helen. These examples assume Helen's upline has not placed any Reps (or customers) in either of Helen's two Teams in the Team Tree.

Helen sponsors Bob, and Carol in the business.

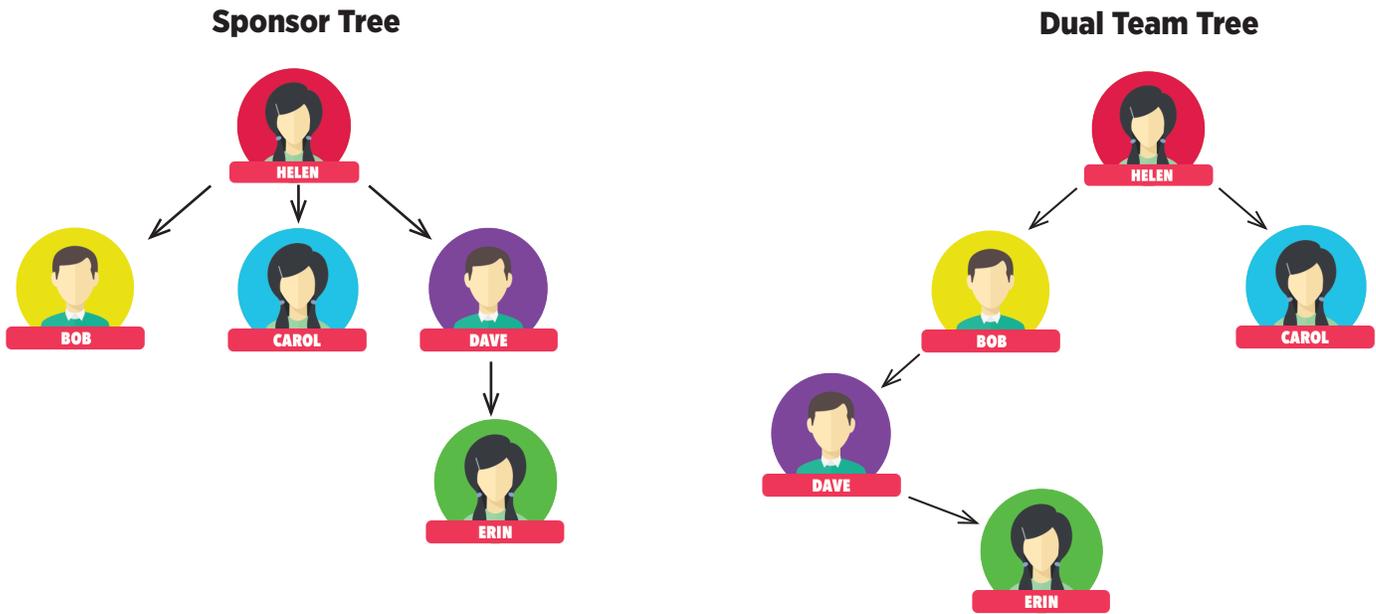
The Sponsor Tree has unlimited width, so the first level will continue to grow wider because it has unlimited width, but the first level of the Dual Team Tree is now full.



EXAMPLE

After Helen sponsors her first two, all additional Reps (or Customers), the system will place in her downline according to her preference; strong-left or strong right.

Next, Helen sponsors a Rep named Dave. Because Helen's first level in the Team tree is already full, Dave will "spillover". Helen's preference is to build a strong Left Team, so the system will place Dave there. In the Sponsor's tree, Dave is placed on Helen's first level because it has unlimited width. Then, Dave sponsors Erin on his Right Team. The two trees now look like:



DUAL TEAM PAY

All Active and Qualified Wine Lovers with a title rank of at least Wine Enthusiast, are eligible to receive Dual Team Pay.

If the Right Team has 400 total TSBV and the Left Team has 450 total TSBV, the Dual Team Pay will pay on 400 TSBV from each leg. The excess TSBV from the larger TSBV leg (Left Team in the example) will carry over to the next week.

The Direct Cellars system will accumulate TSBV for each Rep in their local currency, regardless of the currency of the original sale that generates the BV.

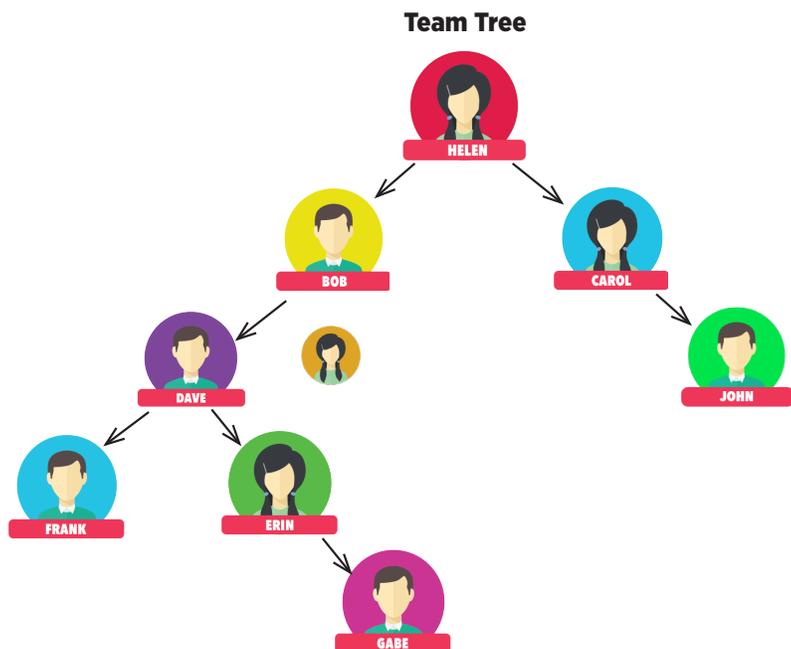
The amount of the Dual Team Pay depends on the title of the Rep being paid, according to the table below.

TITLE	PERCENT
Wine Enthusiast	6%
Wine Critic	8%
Wine Specialist	10%
Wine Expert	12%
Wine Connoisseur	14%
Wine Aficionado	16%
Wine Master	18%
Master Cellar	20%

The payout amount is calculated as the (Percentage from the table above) * (Lesser team's TSBV for the week).

Example:

Using Helen's team from the genealogy example:



Assume all the Reps produced 40 TSBV in a commission week.

Helen has 200 TSBV in her Left Team and 80 TSBV in her Right Team.

In our example Helen has 4 Personally Sponsored Active Reps, so her Title will be Wine Specialist.

Wine Specialist earns 10% on their lesser Team's TSBV. The system will pay Helen \$8 (80 * .10).

Dave is a Wine Enthusiast and has 40 TSBV on his Left Team and 80 TSBV on his right team. Dave will earn \$2.40 this period (40 X .06).

All the other Reps in this example are eligible for Dual Team pay, but they are all unqualified because they have 0 Personally Sponsored Reps, so they all receive \$0 for FSB.



Direct Cellars Ltd
208 W. 19th Street
Suite 101
Kansas City, MO
64108-2002

US Office: +239-4DC-WINE
Members@DirectCellars.com

