LEGAL -EASE
INFORMATION FOR ALL MEMBERS OF THE MARY KAY INDEPENDENT SALES FORCE

Telephone: (972) 687-5777
Fax: (972) 687-1604
Email: legalsupport@mkcorp.com
Available online at www.marykayintouch.com

TABLE OF CONTENTS

INTRODUCTION Page Number

PART ONE: GENERAL INFORMATION

I. Your Relationship with Mary Kay Inc. 1
Independent Contractor Relationship 1
Requests to Change Units 1
Beauty Consultant Pursuing Other Business Opportunities 2
II. Multi-Level and Pyramid Sales Organizations 2
III. Mary Kay Satisfaction Guarantee 3

PART TWO: LAWS WHICH MAY AFFECT YOUR MARY KAY BUSINESS

I. Charging for Skin Care Classes 3
II. Touching the Customer 3
III. Contests, Lotteries, and the Law 4
IV. Earnings and Tax Representations 4
V. Licenses, Taxes & Fees 4
VI. Immigration Laws 4

PART THREE: TRADE NAMES AND TRADEMARKS

I. Use of Corporate Name 5
II. Advertising 5
Beauty Consultants and Sales Directors Can Advertise! 5
Coupons and Related Promotions 5
Advertising for Recruits 6
Signs 6
Radio and Television Advertising 6
Sponsoring 6
Electronic Advertising and the Internet (Internet Guidelines) 6
Directory Advertising 9
III. Sales Directors' Offices 9
IV. Stationery, Business Forms, and Promotional Materials 9

PART FOUR: MARY KAY IN RETAIL ESTABLISHMENTS

I. Flea Markets/Garage Sales/Swap Meets 10
II. Beauty Salons 10
III. Fair Booth/Display Tables 11
IV. Malls 11
V. Fundraisers 12
VI. Store Promotions 12

INTRODUCTION

"At Mary Kay, you are in business for yourself, but never by yourself." That's something you can count on in every aspect of your Mary Kay business -- including legal ones! The following pages contain suggestions for a successful Mary Kay business and are based on "tried and true" experiences. Our recommendations are designed to help you avoid unnecessary legal problems.

If you would like further information, have a specific situation you would like to discuss or should you become aware of any violations of the aforementioned guidelines and wish to make us aware of them, the Mary Kay Legal Resources staff is ready and willing to help. Please send as much specific information as possible regarding your issue and/or question **in writing** to the attention of Legal Resources at Mary Kay Inc. You can send information 1) via regular mail to Legal Resources, Mary Kay Inc., P.O. Box 799045 Dallas, Texas 75379 2) via email at legalsupport@mkcorp.com or 3) via facsimile at (972) 687-1604. We can also be reached via telephone at (972) 687-5777. Additional information can be found online at www.marykayintouch.com.

PART ONE: GENERAL INFORMATION

I. YOUR RELATIONSHIP WITH MARY KAY INC.

INDEPENDENT CONTRACTOR RELATIONSHIP

Your relationship with Mary Kay Inc., as an Independent Beauty Consultant ("Beauty Consultant"), Independent Sales Director ("Sales Director") or Independent National Sales Director ("National Sales Director"), is that of an independent contractor, not an employee. You are a self-employed business person, with the right to control your own business, which you operate under an Agreement with Mary Kay Inc.--the Independent Beauty Consultant Agreement, the Independent Sales Director Agreement and the Independent National Sales Director Agreement. This Contract authorizes you to sell Mary Kay® products and sets out the rights and responsibilities of each party concerning your representation and promotion of the sale of *Mary Kay* products, including business practices, procedures and compensation.

As an independent contractor, you receive no direct remuneration in the form of salary or wages from the Company. -Rather, your income from your Mary Kay business depends upon (a) the profit from the retail sale of *Mary Kay* products, and (b) commissions and bonuses which may be earned as compensation for aiding other individuals in becoming successful Mary Kay salespeople. In the case of Sales Directors, commissions may be earned on the total sales volume of the Unit which the Sales Director leads, guides and motivates.

As stated in the Independent Beauty Consultant Agreement, a Mary Kay Beauty Consultant or Sales Director: "...is not an employee and will not be treated as an employee with respect to federal, state or local tax purposes, or otherwise …" Although all Mary Kay independent salespeople are in business for themselves, Mary Kay Inc. stands behind all products sold in the manner outlined by the Independent Beauty Consultant Agreement and actively supports Mary Kay independent salespersons by making available sales aids, promotions and educational and motivational programs designed to help them be successful in their Mary Kay business. **It is very important that each Beauty Consultant understands and explains to her recruits that they are independent contractors and not employees.**

REQUESTS TO CHANGE UNITS

At Mary Kay Inc. we encourage Independent Beauty Consultants to work with their Sales Directors and other Beauty Consultants to establish a strong unit. However, we do understand that there will be situations where a Beauty Consultant chooses to change units. In these situations, when a Beauty Consultant moves from one unit to another, according to Company guidelines she must remain totally inactive for one year from the date of her last order prior to joining the new unit. Such total inactivity would prohibit attendance at any Mary Kay function, soliciting new customers and/or purchasing product from the Company or other Beauty Consultants. Once the full year of inactivity is completed, the individual is eligible to submit an Independent Beauty Consultant Agreement with a new recruiter in a new unit to the Company for acceptance.

BEAUTY CONSULTANT PURSUING OTHER BUSINESS OPPORTUNITIES

Mary Kay Inc. has always recommended that Beauty Consultants who may be involved in more than one business keep their businesses completely separate. This would include not using your Mary Kay Skin Care Classes as a forum to sell another product or service and not using your association with the Mary Kay independent sales force to foster another business.

In the past, we have experienced some serious problems and consumer misunderstandings when a Mary Kay Beauty Consultant is involved in more than one business. The Company does not request that a Beauty Consultant refrain from other business activities. We recommend, however, that when an individual finds a product or service in which they are interested, they pursue that endeavor with all their energy. This recommendation is presented only for the full satisfaction of all involved in each endeavor. Mary Kay Ash often said, "You cannot chase two rabbits and catch either one."

II. MULTI-LEVEL AND PYRAMID SALES ORGANIZATIONS

Confusingly similar terminology is being used by some multi-level, "network marketing" or pyramid companies, who sell directly to consumers in the home. In the course of your Mary Kay business, you will no doubt be confronted with questions from customers or potential recruits concerning the Mary Kay marketing plan. It is important to clarify that Mary Kay is not a multi-level or "pyramid" company. The following points concerning the Mary Kay marketing plan are of particular importance in distinguishing it from these other organizations:

A. There is **one** wholesale sale (Company to Independent Beauty Consultant) and **one** retail sale (from Beauty Consultant to customer) of Mary Kay® products. There are **no levels of wholesalers** between the Company and the consumer through which products pass at varying discounts before sales. Thus everyone, whether Independent Beauty Consultant or Independent Sales Director (unit Director of Beauty Consultants), purchases all cosmetic products **directly** from the Company at the same published wholesale prices for resale to consumers of their choice. Everyone has the opportunity to buy at the same discount irrespective of their level within the independent sales force career path.

B. Everyone recruited as an Independent Beauty Consultant is recruited to **sell products at retail**. Independent Beauty Consultants do not recruit others to buy products from them. All Independent Beauty Consultants are thus aware that all products purchased by them are for sale at retail to ultimate consumers (or may be returned to the Company for repurchase).

C. Everyone begins as an Independent Beauty Consultant with the purchase of a starter kit. No compensation is earned by anyone on this starter kit purchase, i.e., "for introducing" a new Independent Beauty Consultant. No "investment" is required and no level within the independent sales force career path may be purchased by the payment of fees or by the purchase of a given quantity of products from the Company or anyone else. There are thus no "sales" of "levels," "positions," "distributorships," or "franchises" by the Company or any of its' Independent Beauty Consultants.

D. Elevation from Independent Beauty Consultant to Independent Sales Director does not involve the payment of any fee, rebate, premium or hidden discount of any kind to either the Company or anyone else. Elevation, at the election of **any** Independent Beauty Consultant, is based strictly upon proven recruiting and sales ability.

E. Any Independent Mary Kay Beauty Consultant who terminates her contractual relationship with the Company may return unsold products in resalable condition, and these will be repurchased by the Company per the terms of the Independent Beauty Consultant Agreement at 90 percent of her original net cost.

F. The Company pays all commissions directly to Independent Beauty Consultants and Independent Sales Directors. The commissions are paid based upon monthly purchases and recorded on computer reports furnished with the commission payments. The entire marketing structure is based on and intended to foster retail sales to ultimate consumers. Commissions paid on any products returned by a terminating Independent Beauty Consultant for repurchase by the Company, pursuant to Item E above (i.e., products not sold at retail), are charged back to the commission recipient.

III. MARY KAY SATISFACTION GUARANTEE

The law imposes strict requirements on companies or individuals who sell merchandise in the homes of customers. Persons who pay $25 or more for services or merchandise have a right to cancel their purchase and receive a complete refund within three (3) business days of the purchase. Mary Kay complies with this law by printing such "cooling-off" language on its sales tickets. But we go even farther than this! Because we believe so strongly in the quality of our products, Mary Kay Inc. is able to offer a complete money-back or satisfaction guarantee on every product you sell. The Mary Kay Satisfaction Guarantee reads as follows:

> **Mary Kay Inc. stands behind its products sold by our Independent Beauty Consultants. If for any reason you are not completely satisfied with any Mary Kay® product, it will be replaced without charge, exchanged or the full purchase price refunded following its return to your authorized Mary Kay Beauty Consultant or, if she is no longer active, to the Company with proof of purchase.**

In contrast to laws applying to purchases over $25.00 which only give you a limited time period within which to cancel your order and return unused products (which you may, of course, do by utilizing the Notice of Cancellation form furnished you in duplicate in accordance with governmental regulations), the Mary Kay Guarantee assures consumers they have protection of their purchase price, without limit as to amount of purchase or time for return and whether or not returned products have been partially used.

This Satisfaction Guarantee works two ways. First, your customer can buy the product with confidence, because she knows that -- for any reason, at any time -- she can return it for an exchange or refund. Second, your ability to offer such a guarantee to your customers increases the credibility of you and the product. Any inquiries relating to the Satisfaction Guarantee should be directed to the Customer Satisfaction Department at Mary Kay Inc., 16251 Dallas Parkway, P.O. Box 799045, Dallas, TX 75379-9045; 1-800-MaryKay.

PART TWO: FEDERAL, STATE AND LOCAL LAWS WHICH MAY AFFECT YOUR MARY KAY BUSINESS

I. CHARGING FOR SKIN CARE CLASSES

It has long been a traditional part of the Mary Kay program for Independent Beauty Consultants to offer skin care demonstrations and instructions on a complimentary basis. The complimentary facial is an integral part of our overall marketing philosophy, and it is designed to help Beauty Consultants develop both customers and recruiting prospects. Because we offer customers the opportunity to try before they buy, it instills confidence in both the product and your abilities as a professional Beauty Consultant. Also, because charging for Skin Care Classes may be deemed "the practice of cosmetology" in many states, the complimentary Mary Kay facial can help you to avoid burdensome license requirements. We also ask that you not promote a complimentary facial by saying "it has a retail value of $_____." Because there is never a charge for a Mary Kay facial, this could confuse or mislead a customer.

II. TOUCHING THE CUSTOMER

Cosmetology laws exist in many states which require licenses for individuals who physically apply cosmetics or cosmetic treatments to others -- with the hands or mechanical devices. We strongly recommend that even those Independent Sales Directors and Beauty Consultants who are licensed cosmetologists avoid touching the customer or applying cosmetics at Skin Care Classes, model makeovers, etc., because this practice can lead to misunderstandings in the minds of customers, other Beauty Consultants and licensing authorities about the usual practices of Mary Kay Beauty Consultants in their normal businesses.

We realize that sometimes a customer may be particularly insistent upon having a Beauty Consultant or Sales Director apply the cosmetics for her. Our recommended response is a polite explanation that the Mary Kay concept is to teach the customer to do it for herself, so that she can repeat the procedures when the Beauty Consultant is not there. The customer will likely appreciate this logical and professional response, and you will avoid any misunderstandings with licensing authorities.

III. CONTESTS, LOTTERIES, AND THE LAW

A natural extension of the recognition Mary Kay gives you is to recognize your customers by sponsoring contests. Contests may stimulate additional sales. However, great care should be taken in planning and conducting contests to avoid both legal and practical problems. You can get the most from your contest by keeping these guidelines in mind:

A. Under some state laws, contests which require the payment of entry fees or the purchase of products could be considered illegal lotteries. Before investing your time and money in a contest which might require a payment or purchase by participants, we suggest that you contact your legal advisor and discuss your plans.

B. Purchase prizes in advance. This will avoid the embarrassment of being unable to deliver a prize because the supplier is "out of stock" or the item is otherwise unavailable. And, you will have the prizes on hand for inspection.

C. Plan to follow your contest rules – whatever happens! It is a good idea to write out your contest rules in advance. If several Consultants are sponsoring the contest, make sure all sponsors are in agreement. Keep in mind contingencies such as fewer participants or more winners than you expect. Once the contest rules are established, avoid changing either the rules themselves or the deadlines.

IV. EARNINGS AND TAX REPRESENTATIONS

As a dedicated professional, you know that every effort should be made to accurately portray the Mary Kay opportunity to prospective recruits. State and federal regulatory agencies may interpret exaggerated earnings claims to be "misleading representations" which could subject you to severe sanctions. We feel that sharing your own earnings experience is by far the most effective and believable way of approaching this subject with a prospective recruit. Besides, your very own "I Story" will mean much more to them than boring statistics!

Similarly, it is important to accurately portray the tax aspects of the Mary Kay opportunity. As a self-employed person, you may be entitled to a variety of tax deductions which will benefit your business if they are supported by accurate records. However, we caution against offering tax advice which cannot be substantiated by current Internal Revenue Service regulations. We suggest that your potential recruit consult with her accountant or tax advisor to determine how a Mary Kay business will affect her personally.

V. LICENSES, TAXES & FEES

As an independent business person, you are required to comply with all federal, state and local taxes, licenses, permits and fees that might be applicable to your business. We recommend that you consult your tax/legal advisor to ensure that you are in compliance. Please understand that your personal tax situation may be different from others in the independent sales force and different laws may be applicable to you based on your circumstances. Examples of taxes, licenses, permits and fees that could be applicable include but are not limited to: cosmetology licenses, business licenses, occupational licenses, zoning permits, income tax, gross receipts tax, business and occupational tax, sales tax, property tax, and excise tax. These taxes, licenses, permits and fees could be based on your retail sales, commissions, prizes, purchases, inventory, property or other factors related to your Mary Kay business. Any taxes collected and reported on your behalf by Mary Kay Inc. are separately stated on your picking ticket or commission statement.

VI. IMMIGRATION LAWS

The Immigration Reform and Control Act of 1986 requires, among other things, that every employer verify that employees are authorized to work in the United States. The Act imposes penalties on employers who fail to verify employment eligibility. Mary Kay Beauty Consultants and Sales Directors are independent contractor salespeople. They are not employees of Mary Kay Inc. You are not an "employer" of any Independent Beauty Consultant you recruit. Therefore, you should not be required to verify the employment eligibility of any recruit or other member of the independent sales force. The best source of information regarding specific immigration issues is a local immigration attorney, the Department of Justice or Immigration and Naturalization Service (INS).

PART THREE: TRADE NAMES AND TRADEMARKS

"Mary Kay" has been known and respected throughout the United States and in many foreign countries. We want you and your customers to continue to rely on the integrity and quality behind our name. "Mary Kay" and many product names have been registered with trademark offices in the United States and foreign countries. This protects both the Company and you, because **no one (including Independent Beauty Consultants and Independent Sales Directors) may use these Company-owned trademarks without prior written permission**. By obtaining permission to use our trademarks or trade names, you help us avoid accidental misstatements of fact and inadvertent violations of law. Together, we can keep "Mary Kay" a name you and your customers can trust.

I. USE OF CORPORATE NAME

Use of our corporate name (i.e., Mary Kay Inc.) is limited to the Company. Beauty Consultants and Sales Directors are authorized to use "Mary Kay" (without "Inc.") along with their title, on stationery, in published advertising as stated in the Independent Beauty Consultant Agreement. It is very important that you protect your status as an independent contractor (not an employee), by using your correct title (Independent Beauty Consultant, Independent Sales Director, etc.). Titles such as "Marketing Director," "Marketing Specialist," "Sales Representative," etc., tend to imply an employer/employee relationship and should be avoided. If you are unsure as to when use of the "Mary Kay" name is appropriate, please contact Legal Resources for clarification.

II. ADVERTISING

BEAUTY CONSULTANTS AND SALES DIRECTORS CAN ADVERTISE!

The Company feels that the best form of advertising is personal contact, and that excessive advertising can be both expensive and unrewarding. However, for those Independent Beauty Consultants and Independent Sales Directors who find it necessary to advertise, the Company offers pre-approved ad formats. **These camera-ready ads should not be changed or altered and may be used without further authorization from the Company in local newspapers, bulletins and other appropriate print publications**. They cannot be transmitted over facsimile machines or through computer services such as the Internet. They are available, on www.marykayintouch.com or upon request, from Legal Resources or you may email your request to legalsupport@mkcorp.com . These ad formats are not intended for directory advertising use. (Please see "Directory Advertising" below).

COUPONS AND RELATED PROMOTIONS

Coupon promotions have been a particular problem in the past, because Beauty Consultants and Sales Directors usually have little control over how or where the coupons are delivered. Additionally, there have been instances when the coupon was not printed within the Beauty Consultant's specifications. The results can be chaotic.

Invariably, coupons end up in the hands of another Beauty Consultant's customer or another Beauty Consultant herself. This puts her in the precarious position of either honoring the coupon -- and perhaps losing a portion of her profit -- or saying "no" and risking the alienation of her customer. Customers have also expressed confusion and disappointment with some coupon promotions, such as those that offer "free facials worth 'X' dollars." Oftentimes, they have paid moderate to large sums for a book which contains a coupon. When they discover that a Mary Kay facial is always free, they feel cheated.

A Beauty Consultant can build goodwill by offering an extra gift or a token discount to her own best customers and hostesses. Perhaps you would like to recognize them with a personal note, offering a special discount or better yet, a gift-wrapped presentation of a *Mary Kay* product. She will likely appreciate the "personal touch" and the benefits to you may be far more effective than "funny money."

ADVERTISING FOR RECRUITS

Mary Kay's personal philosophy was to "hand pick" her recruits at Skin Care Classes. After all, who would be more qualified to teach skin care than someone who is already a satisfied Mary Kay user? For this reason, the Company does not authorize advertisements solely for the purpose of recruiting, such as those found in the "Help Wanted" or "Business Opportunities" columns.

Independent Sales Directors may only use certain, limited recruiting language on a pre-approved ad format. Phrases which may be used are:

1. "Business Information Available"
2. "Business Opportunity"
3. "Ask me about my Mary Kay Business"

SIGNS

Signs advertising "Mary Kay" in office windows or outside commercial establishments may create the appearance of a retail store or cosmetic studio. This is inconsistent with the Mary Kay marketing program. In addition, it also can lead to confusion in customers' minds as to how to obtain our products. When signs advertising a Mary Kay business appear in residential areas, they may be considered by local zoning and licensing officials as evidence of a type of home occupation that is either prohibited by zoning ordinances or which may require a license. This can lead to unnecessary business expenses and unpleasant confrontations with local enforcement agencies. For your protection, please do not use signs! If a Beauty Consultant is concerned that her customers will not be able to find her house, we suggest she point out some outstanding feature or landmark, on her own or the surrounding property, which will help "point the way to the Mary Kay."

RADIO AND TELEVISION ADVERTISING

Radio and television ads may, at first glance, appear to be an ideal form of getting your name in the public's eye. However, costs for such ads are often astronomical. In addition, there is little control over when your ad will be seen or heard. Also, there may be little control over what is said. For the above and other reasons, both legal and practical, the Company does not authorize the use of the Mary Kay® trade name or any Company owned trademarks on a radio or television broadcast advertisement.

SPONSORING

You may be solicited to sponsor a Little League team, bowling team, soccer teams, etc. You may choose to participate in sponsoring a team, but please refrain from using the trade name or trademark on any clothing items or signs. However, you may use any of the pre-approved ads for a printed program.

ELECTRONIC ADVERTISING AND THE INTERNET

INTERNET GUIDELINES

The international scope of the Internet creates not only an excellent resource, but also a challenge to Mary Kay to develop a global strategy that ensures this resource supports and accurately promotes your independent contractor relationship and our direct selling marketing philosophy. In order to take full advantage of the Internet, Mary Kay has developed the following Internet Guidelines. The Internet Guidelines will help protect the business and the image of Mary Kay Inc. and its Beauty Consultants, promote a consistent Company message free from unauthorized, untruthful or exaggerated claims and rumors, as well as deter poor Web site design.

Unauthorized Web Sites and Online Advertisements

The use of Company trademarks (e.g., "Mary Kay," "MK," the fanciful floral design, product names), or any confusingly similar variation thereof, or the use of copyright protected material, in any form of electronic advertising or communication is not authorized except through Company-approved trademark standardization programs such as the Mary Kay Personal Web Site program. Most Internet Service Providers allow you to create a Web site in connection with the services they offer (i.e., your family Web site). If you take advantage of this service, it should not be used to promote your Mary Kay business. Promotion of your Mary Kay business online is reserved exclusively through participation in the Personal Web Site program

and other Company-authorized programs. If you create your own Web site, it cannot incorporate Company trademarks or incorporate copyright protected material. You may, however, link from your own Web Site to your Personal Web Site provided you adhere to the Linking Policy discussed below.

A Beauty Consultant may not utilize the Company's trademarks or copyright protected material and advertise on the Internet by purchasing space on any other Web site or by purchasing or otherwise obtaining a banner advertisement or other similar advertisement (i.e., electronic classified advertisement).

The Mary Kay Personal Web Site Program

The Mary Kay Personal Web Site program is the **only** way you can advertise your Mary Kay business online. For enrollment procedures or for additional information about the Personal Web Site Program, visit www.marykayintouch.com.

Linking Policy

Linking to your Personal Web Site from another Web site can be a great way to direct customers to you and generate additional sales. If you choose to link to your Personal Web Site, you must follow this Linking Policy:

A. A site that links to your Personal Web Site:

1. Should not be used to advertise or represent your Mary Kay business other than through approved link texts discussed below;

2. Should not imply, either directly or indirectly, that Mary Kay Inc. is endorsing its contents;

3. Should not use any Company trademarks or trade names, other than those contained in the approved link texts discussed below;

4. Should not contain content or material that could be construed as offensive, controversial, or distasteful and should only contain content that is appropriate for all age groups;

5. Should not disparage Mary Kay Inc. or its products in any way or otherwise negatively effect or harm the reputation and goodwill of Mary Kay Inc.;

6. Should not present false or misleading information about Mary Kay Inc. or the Mary Kay career opportunity;

7. Should not misrepresent any relationship with Mary Kay Inc.;

8. Should not be operated in violation of any applicable federal, state or local law, rule or regulation;

9. Should not contain content that violates or infringes upon the copyright, trademark, trade name, patent, literary, intellectual, artistic or dramatic right, right of publicity or privacy or any other right of any entity or person or contain material which is libelous or slanderous;

10. Should not replicate in any manner any content in your Personal Web Site; and

11. Should not create a browser or border environment around your Personal Web Site material.

B. In the event your Personal Web Site is no longer displayed on the Internet (cancelled or terminated subscription), you must remove the link to your Personal Web Site from all pages where a link was inserted.

C. You may use only one of the following approved link texts:

1. "Shop online with me, your Mary Kay Independent Beauty Consultant: [insert your Personal Web Site URL]"

2. "Interested in a free makeover? Visit me, your Mary Kay Independent Beauty Consultant: [insert your Personal Web Site URL]"

3. "Beauty is just a click away! Visit me, your Mary Kay Independent Beauty Consultant: [insert your Personal Web Site URL]"

4. "Shop 24 hours a day! Visit me, your Mary Kay Independent Beauty Consultant: [insert your Personal Web Site URL]"

Promoting Your Mary Kay Personal Web Site Through Search Engines

The best way to drive traffic to your Personal Web Site is to promote it to your customers by placing your Personal Web Site address on your business cards, business stationery, etc. Another way for consumers to reach you is through the Consultant Locator found at www.marykay.com. Mary Kay Inc. does not register your Personal Web Site with search engines (e.g., Yahoo®, Lycos®). We feel that it is of greater benefit to Beauty Consultants to have the official corporate Web site, www.marykay.com, be found in a search. This allows the customer to use the Consultant Locator to find a local Beauty Consultant rather than trying to sift through the thousands of Beauty Consultant Web pages that would be displayed if individual sites were registered.

The Personal Web Site pages are created dynamically. This means the page is created when the address is entered in the address field. This method of page creation allows for more flexibility. Changes and updates can be made to the pages without intricate programming. META tags are not used. META tags are what search engines look for in Web pages to automatically add them to their listings as they search the Internet. Since a Personal Web Site is not created until the actual address is entered, the search engine will not automatically list it.

If you choose to submit or register your Personal Web Site with a search engine, the following applies:

A. The search string or title you submit cannot contain any Company trademarks (e.g., "Mary Kay," "MK," the fanciful floral design or product names).

B. The search string or title you submit may mention any of the following keywords: beauty, makeup, skin care, cosmetics, makeover, online shopping, fragrances, and lipsticks.

C. Sometimes you're asked to describe the Web site. The description given cannot contain any Company trademarks.

D. The description may include any of the following keywords: online shopping, beauty suggestions, beauty tips, beauty ideas, complimentary makeover, makeup, skin care, cosmetics, gift service, personal shopper and personal service.

E. In the event your Personal Web Site is no longer displayed on the Internet (cancelled or terminated subscription), you must contact the search engine provider to remove your submission or listing.

Domain Names

You cannot register or use a domain name (URL) utilizing any Company trademarks.

Unsolicited Email

Mary Kay Inc. recognizes the concern many people have regarding unsolicited email (also called "SPAM"). A Beauty Consultant may not use unsolicited emails to promote *Mary Kay* products or the business opportunity. This would be considered an unauthorized electronic advertisement. Independent Beauty Consultants are encouraged to follow Internet etiquette and to be good "Net" citizens and expected to abide by all applicable laws and regulations regarding electronic communications.

Online Auctions and Online Flea Markets

Beauty Consultants may not advertise *Mary Kay* products online for sale other than through their Personal Web Site. Listing *Mary Kay* products for sale on an online auction, online flea market, or other online outlet, would constitute a violation of the terms and conditions of your Independent Beauty Consultant Agreement.

DIRECTORY ADVERTISING

Only Sales Directors May Advertise. Beauty Consultants are not authorized to list their business or residential service

telephone numbers in any White or Yellow Pages directories (whether published by telephone companies or private publishing companies) in any way in connection with the Company-owned trade names, trademarks or corporate name. Sales Directors may contact the Directory Advertising Department at (800) 264-7062 with any questions.

III. SALES DIRECTORS' OFFICES/TEACHING CENTERS

Sales Directors: Is Your Office a Teaching Center?

As an Independent Sales Director, you may find it beneficial to maintain an adequate office either in your home or other suitable location for the proper conduct of your Mary Kay business. According to the Independent Sales Director Agreement, the Sales Director agrees not to maintain a fixed geographical location at which she displays for sale and sells any *Mary Kay* product or service. Following are some guidelines to help you ensure that your office will be a *teaching* center which will benefit your entire Unit:

A. Independent Sales Directors have the right to use the title "Independent Sales Director - (your name) - Mary Kay" on office doors and building directories located inside the building only. Lettering on office doors and inside directories should be uniform in size and proportionate to the size of the door and directory.

B. In addition to normal office activities, such as making follow-up telephone calls and handling routine paperwork, the office or teaching center may be used as a professional atmosphere in which to hold team building appointments with potential recruits.

C. Many Independent Sales Directors use the teaching center as the location in which they hold their unit meetings and other teaching events.

D. You will not want to have the office or teaching center give the appearance of a cosmetic studio, facial salon or retail establishment; consequently, *Mary Kay* product should not be displayed for sale.

E. To further underscore the fact that a Sales Director's office is not a "Mary Kay" store or salon, you will want to take orders from or complete sales to customers away from the premises; consequently, you should not store inventory at this location and you should not conduct facials on clients in this office; and

F. You will want to have your Sales Director office located away from retail shopping areas, so as not to attract walk-in trade.

IV. STATIONERY, BUSINESS FORMS, AND PROMOTIONAL MATERIALS

The Mary Kay® trademark is authorized for use by Beauty Consultants and Sales Directors on letterhead paper, envelopes, business cards, and checks purchased from a licensed vendor. You no doubt have been (or will be) bombarded with requests from vendors who wish to sell you promotional materials -- prizes for your team members or Unit members, or giveaways for your customers. These items vary from ribbons, pens and pencils, to key chains, jewelry, clothing, and trophies.

You should be aware that vendors who use Company trademarks (i.e., Mary Kay®) on merchandise are required to execute a Trademark License Agreement with Mary Kay Inc. Additionally, any vendor you buy products from that bear any Company trademarks is required to give notice that the trademarks are used with Mary Kay Inc.'s permission. If you are contacted by companies or individuals who wish to sell you items bearing our trademark, please notify Legal Resources, so that we can verify the existence of a Trademark License Agreement. Do not hesitate to report unauthorized use of the Companies trademarks to Legal Resources. It is important that you realize the licensed use of our trademark does not mean that these products are endorsed or guaranteed by the Company. Only those products, which are offered on the Consultant or Director Order Sheet, are guaranteed by Mary Kay Inc. as to their quality.

PART FOUR: MARY KAY IN RETAIL ESTABLISHMENTS

It's a small phrase, but an important one in the Independent Beauty Consultant Agreement: "I understand that display or sale of *Mary Kay* products in public, retail or service establishments of any kind is inconsistent with the terms of this Agreement. Aside from this contractual prohibition, there are practical issues to be considered. Mary Kay is the finest teaching-oriented skin care company in the world! We believe that in order to maintain our priority to teach skin care it is important to give each customer the personal attention to her individual needs. This has become the hallmark of the professional Mary Kay Beauty Consultant. Certain environments are not conducive to this emphasis on personal contact.

I. FLEA MARKETS/GARAGE SALES/SWAP MEETS

Mary Kay often said: "You can't sell Cadillacs in a junk yard!" If the first impression of Mary Kay is that it is sold by flea market vendors, along with old furniture, used clothing and other unwanted items, it is going to be difficult to find hostesses who will be interested in inviting their friends to a Skin Care Class. It is important that we maintain the image of professionalism in Mary Kay. The way Mary Kay is sold is as important as the fine quality of products we sell. The "rummage sale" environment does not convey the image which we wish to maintain, because it deprives the customer of: (a) professional, personal contact; (b) the opportunity to try before she buys; (c) the assurance of fresh products, which have been properly stored; and (d) our Mary Kay guarantee, which is only extended by the authorized Beauty Consultant who sells in accordance with our marketing plan.

II. BEAUTY SALONS

In executing her Agreement with the Company, each Independent Mary Kay Beauty Consultant acknowledges that display or sale of *Mary Kay* products in public, retail or service establishments of any kind is inconsistent with the terms of the Agreement. Independent Mary Kay Beauty Consultants and Independent Sales Directors are often approached by cosmetologists who work in salons and wish to use *Mary Kay* products to give facials. It is very important to make a clear distinction between a Mary Kay demonstration and use of *Mary Kay* products as part of a salon service, with no intention to sell the products in the salon. We offer the following recommendations:

A. Application of cosmetics by a professional cosmetologist in the normal course of her practice of cosmetology is a professional cosmetic application, not a Mary Kay Consultant demonstration. We recommend that the retail containers (not demo tubes) be used.

B. A display of *Mary Kay* products in a salon would give the impression that they can be purchased there. Therefore, we suggest that the amount of product the cosmetologist keeps on hand be only sufficient for use on the clients and not be publicly displayed.

C. The Company's written permission is necessary for all types of advertising using Company-owned trademarks (see Paragraph 5 of the Independent Beauty Consultant Agreement). To avoid potential customer confusion, the Company does not normally authorize advertisements which use our trademarks in connection with salons, whether they are proposed for newspapers or on the salon's premises.

D. Once a client has experienced a facial in the salon, she may be interested in purchasing a supply of *Mary Kay* products for use at home. If the cosmetologist is a Beauty Consultant, we encourage her to make an appointment, to be held outside the salon, for sale of the product. If the cosmetologist is not a Beauty Consultant, she was no doubt supplied with business cards by the Beauty Consultant who sold her the *Mary Kay* products for use in the salon. The cosmetologist may distribute these business cards to clients who express an interest in purchasing *Mary Kay* products. The client can then make an appointment away from the salon for delivery and sale of the product.

E. In situations where facials are offered as a service to beauty salon clients, the products are applied to the client by a cosmetologist. Because Mary Kay feels it is important for a customer to learn how to use the products herself, we would recommend that any client who expresses an interest in purchasing *Mary Kay* products be given a complimentary Mary Kay facial (where the customer applies the products herself), away from the salon, so that she can benefit from the personalized instruction offered by an authorized Mary Kay Beauty Consultant.

F. Someone may suggest that it is acceptable to conduct Mary Kay demonstrations in a salon's back room, or after business hours. We disagree. To avoid any potential confusion about *Mary Kay* products being available at or through the salon, Beauty Consultant demonstrations should take place away from the premises.

III. FAIR BOOTH/DISPLAY TABLES

We receive many requests for permission to use our trade name and trademarks in connection with fair booths, and we feel that such booths offer an excellent opportunity to meet potential customers and recruits. Following are the general guidelines regarding fair booths:

A. The booth may bear the name "Mary Kay" (without "Inc."). You may wish to have your name and title (Independent Beauty Consultant, Independent Sales Director) on the booth also.

B. A small, attractive display of products will draw attention to your booth. If the fair has a specific theme you may wish to decorate the products accordingly.

C. This would be a good opportunity for you and team members to demonstrate on each other (not on the general public, which would include demonstrating any products such as colognes, blushers, Satin Hands®, etc.). For example, you each may model a different glamour look, in order to demonstrate the versatility of our MK Signature™ products. This professional presentation will stimulate the general public's interest in booking their own Skin Care Classes.

D. You may want to play a company-developed video, distribute beauty books and /or business cards.

E. Because we want each customer to have the opportunity to try the product and receive instruction before she buys, it is very important to "qualify" any potential customer who approaches you at a fair booth. To do this, simply ask if the customer has had a Mary Kay facial and is currently being served by a Beauty Consultant. If she answers "yes," please use the "go-give" spirit in referring her back to her own Beauty Consultant.

F. Once the potential customers have been "qualified," you may take orders for future delivery. There should be no exchange of product or money at the booth.

The question often arises as to whether a Beauty Consultant may take an order at the booth and then "deliver" it by escorting the customer to the trunk of her car. We feel very strongly that this is not a good practice. First of all, weather conditions may have an adverse effect on inventory left in the car. Secondly, before you consider this method of "delivery," please consider the impression it makes. Would you want to purchase personal care items from someone's trunk? It may take a bit more time and effort to personally deliver orders to the customer's home or workplace, but we are certain that she will be impressed by your professionalism in doing so.

IV. MALLS

Although the Company cannot authorize demonstration or sale of *Mary Kay* products in malls, here are some suggestions for mall activities you can do for a ***period of one or two days once a quarter.***

A. Ask the mall management's permission to set up a table, booth or flower cart on the premises for a one- or two-day appearance. You will want to limit your appearance in malls to once every quarter so that your customers are confident that you still specialize in offering in-home service. We recommend that the mall space be rented on an individual basis to avoid the impression of a permanent location.

B. The booth may bear the name "Mary Kay" (without "Inc."). You may wish to have your name and title (Independent Beauty Consultant, Independent Sales Director) on the booth also.

C. You may have a small attractive display of products. If the event has a specific theme you may wish to decorate the products accordingly.

D. This would be a good opportunity for you and team members to demonstrate on each other (not on the general public, which would include demonstrating any products such as colognes, blushers, Satin Hands®, etc.). For example, you each may model a different glamour look, in order to demonstrate the versatility of our MK Signature ™ products.

E. You may want to play a company-developed video, distribute beauty books and/or business cards.

F. Some Beauty Consultants may see the "survey" approach as a good way to "get a foot in the door." What happens to your credibility, though, when the prospective customer asks either you or the Company how this "data" is to be used? This embarrassing scenario may be avoided by refraining from using surveys as a means to get sales leads. Mary Kay feels very strongly that such solicitations are a departure from our basic sales philosophy of personalized presentations. Also, many mall managers frown on this as a type of solicitation on their premises which competes with the products and services offered by mall tenets.

V. FUNDRAISERS

You may be contacted by a local school or organization asking you to participate in a fund raising activity. If you wish to participate, we suggest the following guidelines be followed to ensure a successful promotion:

A. We recommend the products promoted for the fund-raiser not include the Basic Skin Care items, which entails instruction. We suggest items such as the hand cream, lip stick, shave cream, a Velocity® product or lip-gloss as effective tools for a fund-raiser.

B. The amount of items made available should be limited to 4 or 5 items and should not include the entire *Mary Kay* product line. A fund-raiser should not be considered a "stock-up sale".

C. The participants in the fund-raiser should **refrain** from conducting door-to-door sales or solicitations of homes and businesses, as this is inconsistent with our Marketing Plan. It is recommended that participants bring the fund-raiser information home and offer the item(s) to family members and close friends.

D. Another suggested approach would be to set up a table after a school function and take orders to promote your fund-raiser. We ask that you refrain from conducting over-the-counter sales at the table.

E. We recommend that the fund-raiser be temporary in nature (i.e., two to four weeks).

F. Door-to-Door Sales or solicitations of businesses is ***not recommended*** by the Company since this would be inconsistent with our Marketing Plan.

VI. STORE PROMOTIONS

You may be invited to participate in clothing store or boutique promotions. We strongly recommend you limit your appearance to a one to two day period once a quarter. The following are guidelines and suggestions for your participation:

A. We suggest that you provide the make-up and instruction to the store personnel prior to the event having each person appear with a different glamour look. This will give you the opportunity to point out to the customer how the various shades of clothing blend with the MK Signature™ glamour shades.

B. You could have a display of one of each of the products so the customer can see what they look like. Please remove it when you leave.

C. You could bring along any Company literature which is available to you on the Consultant order sheet.

D. You could show a Company-developed video if there is a facility for it.

E. You could make appointments for glamour makeovers to be held at the customer's home or yours.

F. We request that no sale of *Mary Kay* product or facials on the general public take place on the premises of the

store. Take orders, if you wish, for non-basic products being certain that the customer does not have a Beauty Consultant then make the delivery to the customer's home or office when the event is over.

In the event you receive an inquiry about the Mary Kay opportunity at the store, you could schedule an appointment for a makeover to be held at the customer's home or yours. After all, who would be more qualified to sell the product than a satisfied customer?

Should the store be advertising this event in your local newspaper, we suggest that your portion of the advertisement read as follows:

> Ms. **Name**, Independent Beauty Consultant, will be present to discuss MK Signature™ new spring glamour shades to complement your choice of clothing.

We are interested in discussing the exciting details of your proposed Special Event. Please contact Legal Resources prior to the event and let us know how we can help you take advantage of this opportunity.

SHOULD YOU BECOME AWARE OF ANY VIOLATIONS OF THE AFOREMENTIONED GUIDELINES AND WISH TO MAKE US AWARE OF THEM, PLEASE SEND AS MUCH SPECIFIC INFORMATION AS YOU CAN IN WRITING ADDRESSED TO LEGAL RESOURCES AT THE MARY KAY CORPORATE OFFICE.