



How the 70% Rule Impacts Your Business

What is the 70% Rule?

Some of you may have heard about the 70% Rule involving companies within the direct selling channel. Others may know of it from their own network marketing experience. We thought it would be helpful to summarize the origins of the rule and why it's important for your business.

Quick History Lesson: FTC v. Amway

The 70% Rule dates back to a 1979 case filed by the FTC against Amway where the FTC alleged that Amway was operating an illegal pyramid scheme. Following a lengthy court battle, the court eventually ruled in Amway's favor finding it to be a legitimate business opportunity.

Key to Amway's argument was its **70% Rule, which stated that distributors had to sell 70% of their current inventory to customers or other distributors**. The rule was designed to prevent distributors from ordering excessive amounts of inventory (also referred to as "inventory loading") in order to qualify for commissions, bonuses, and incentives.

Fast Forward to Today

Before the days of the internet and e-commerce, distributors typically fulfilled their customer's orders manually. They'd place an order with the company for their inventory and on behalf of their customers, receive shipment from the company, store the inventory, and then distribute it to their customers. Thus, the 70% Rule was established to ensure that the inventory was distributed to end consumers.

Today, a majority of the orders are placed directly online by your customer with Mannatech and then Mannatech ships the products directly to your customer. **This is just one of the many benefits to operating your Mannatech business via your personal website.** Mannatech handles the inventory and distribution for you and essentially **eliminates the need for you to hold inventory.**

Mannatech's 70% Rule

While the internet seems to solve the issue the rule was intended to safeguard against, it still remains important.

Mannatech's version of the 70% Rule may be found in section 5.11 of the Associate Policies and Procedures.

Mannatech will review particularly large orders and may reach out to Associates to verify that at least 70% of the products are either personally consumed or retailed to customers. You are encouraged to keep receipts for your retail orders. A form receipt may be found at <https://library.mannatech.com/58> for you to use.

Protecting your business is important. **Mannatech believes the 70% Rule remains relevant and key to operating a legitimate direct selling business.** If you have any questions about the 70% Rule or any other provision within the Associate Policies and Procedures, you may contact the Business Ethics team at BusinessEthicsUS@mannatech.com. As always, we are here to help and support you in your Mannatech business.

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