



**BURNLOUNGE**

## **Concentric Retail**

Shared Compensation Plan

**Version 2.0**

(revised November 17, 2005)

## ***BURNLOUNGE PROGRAMS***

BurnLounge makes it easy to join our community, offering members the choice to participate on one of several different levels. There are two basic ways to join: as a Customer, or as a Retailer.

### ***BURNLOUNGE CUSTOMERS***

Through a free registration process, anyone can become a BurnLounge Customer, with the ability to buy music and merchandise on any BurnLounge-powered site. BurnLounge Customers can also use the BonFire™ IM software to communicate with their friends, family, and the entire community of BurnLounge members.

### ***BURNLOUNGE NEXT GENERATION RETAILERS***

Any BurnLounge Customer can become a Next Generation Retailer. Retailers create their own customizable online store from which they can sell downloadable music and other BurnLounge merchandise, earning rewards in return. Next Generation Retailers can begin to grow their online business by referring their existing social network of friends, family and associates to their BurnLounge-powered site.

There are three levels of Next Generation Retail.

- ***BURNLOUNGE FAN PROGRAM***

BurnLounge Fans can open their own online store with BurnLounge's exclusive Independent Content Editing (I.C.E.) software. The I.C.E. software enables Fans to customize their storefront, featuring the albums and songs they want to highlight, while allowing their customers access to the full catalog of BurnLounge music.

Fans earn BurnRewards Points for each purchase made through their site. BurnRewards Points can be redeemed in any BurnLounge store.

BurnLounge Fans pay a yearly fee of \$29.95 to license the I.C.E. software.

- ***BURNLOUNGE AFFILIATE PROGRAM***

Any Customer or Fan can become a BurnLounge Affiliate.

Affiliates, like Fans, open their own customizable store by licensing the I.C.E. software, and earn BurnRewards Points for each purchase made through their site. But Affiliates have three additional benefits:

First, Affiliates can redeem their BurnRewards Points for cash.

Second, Affiliates can build a sales team by selling the I.C.E. software to other new retailers.

A sales team consists of:

- 1) The retailers to whom that Affiliate has sold the I.C.E. software directly. Therefore, they're called the "Direct Team."
- 2) The retailers to whom the Direct Team then sells the I.C.E. software, and so on, up to six generations or "rings" away from the Affiliate. That concept is called "Concentric Retail."

Third, Affiliates have the opportunity to earn BurnRewards Points for the sales of their Direct Team and beyond, by meeting certain sales requirements, described later in this document.

BurnLounge Affiliates pay a yearly fee of \$29.95 to license the I.C.E. software. They also pay a monthly fee of \$6.95 to subscribe to the BurnLounge Business Management Software™ (B.M.S.) Gold, which tracks and manages the Affiliate's team sales.

- ***BURNLOUNGE MUSIC MOGUL PROGRAM***

Any Customer, Fan or Affiliate can become a BurnLounge Music Mogul.

Music Moguls, like Affiliates, open their own customizable store by licensing the I.C.E. software, earn BurnRewards Points that can be redeemed for cash, and can build a sales team dependant on certain sales requirements.

But Music Moguls have access to educational tools and powerful tracking software that helps them build their team; and can also earn substantial bonuses for building a team of other Moguls.

BurnLounge Music Moguls pay a yearly fee of \$29.95 to license the I.C.E. software, and another annual fee of \$100.00 for the Mogul Toolkit. They also pay a monthly fee of \$14.95 to subscribe to the BurnLounge Business Management Software™ (B.M.S.) Platinum, which tracks and manages the Mogul's team sales.

In addition, Music Moguls have the option to purchase the BurnLounge University Package for \$300. BurnLounge University is a six-DVD education package that features a year-long, two-semester course on the entertainment business. It features in-depth interviews, day-in-the-life segments, cautionary tales and success stories from some of the most experienced and influential players in the business.

## ***UNDERSTANDING BURNREWARDS***

BurnRewards Points are the currency of the BurnRewards program. Each retailer has a BurnLounge Account where BurnRewards points are banked. Those points can then be redeemed for BurnLounge music and merchandise; or, in the case of Affiliates and Moguls, for cash. **One (1) BurnReward Point is currently equivalent to \$1.00 USD.**

### ***BURNREWARDS — FANS***

For every purchase through their site, Fans earn BurnRewards Points that they can redeem for BurnLounge music and merchandise. Fans currently earn .05 points for every single 99¢ download (.50 points for every album of \$9.99 or more) — OR — the number of points equal to 20 percent of the profit margin on those music and merchandise purchases, whichever is greater.

### ***BURNREWARDS — AFFILIATES AND MOGULS***

The first difference between the way that Fans (on one hand) and Affiliates and Moguls (on the other) earn BurnRewards is that Affiliates and Moguls can redeem their BurnRewards Points for cash. (So, from here on, we'll say "5¢" instead of ".05 points.")

The second difference is that Affiliates and Moguls can create Sales Teams, and earn BurnRewards for the stores in that team, based on the sales requirements described below.

#### ***"The Five-Cent Rule"***

For every purchase through their site, Affiliates and Moguls earn 5¢ for every single 99¢ download (50¢ for every album of \$9.99 or more) — OR — 20 percent of the profit margin on music and merchandise purchases, whichever is greater.

#### ***"The Two-Cent Rule"***

For every purchase on a site run by a member of their Direct Team, Affiliates and Moguls can earn 2¢ for every single 99¢ download (20¢ for every album of \$9.99 or more) — OR — 12 percent of the profit margin on music and merchandise purchases, whichever is greater.

But to earn rewards on this first concentric ring of retail, and the five beyond it, the Affiliate or Mogul — and their team — must meet certain sales requirements.

**CONCENTRIC RETAIL SALES REQUIREMENTS**

There are no sales requirements needed to receive BurnRewards points for Personal Product Sales — meaning music and merchandise sold through one's own site.

But to receive BurnRewards on the sales of their Direct Team and beyond (up to six rings of concentric retail), Affiliates and Moguls must meet the minimum requirements listed in the following table:

RING	Minimum Compensation*	Shared Compensation	Qualifications		
			Personal Sales (Albums) -per month-	Team Sales (Albums) -per month-	Number of Direct Team Stores
AFFILIATE/MOGUL	5¢	20%	0	0	0
RING 1 (Direct Team)	2¢	12%	4	8	1
RING 2	n/a	5%	8	24	2
RING 3	n/a	5%	12	48	3
RING 4	n/a	5%	16	80	4
RING 5	n/a	5%	20	120	5
RING 6	n/a	8%	24	168	6

\* For each 99¢ download. For albums (downloads of \$9.99 or more), multiply the minimum compensation by 10.

Some definitions for terms used in this Shared Compensation plan:

- ♫ **Ring:** A way of stating the degree of separation between the Affiliate/Mogul and the other retailers he sponsored. Retailers that an Affiliate or Mogul directly sponsored would be on Ring 1 (his direct team). Ring 2 would consist of the retailers that the Direct Team sponsored. Ring 3 would consist of the retailers that Ring 2 retailers sponsored, and so on.
- ♫ **Minimum Compensation:** The minimum amount of compensation an Affiliate or Mogul can expect to receive for each purchase of a single 99¢ download, stated as the current cash equivalent of the BurnRewards Points award for that purchase.
- ♫ **Shared Compensation:** The percentage of the profit margin an Affiliate or Mogul makes as the result of **Product Sales** through their site, or the sites of their sales team.
- ♫ **Album:** Any download of \$9.99 or more, OR 10 single 99¢ downloads. For albums (downloads of \$9.99 or more), multiply the minimum compensation by 10.
- ♫ **Personal Sales:** Purchases made by Customers (non-Retailers) through the Affiliate/Mogul's own Site.
- ♫ **Team Sales:** The Affiliate/Mogul's own Personal Sales PLUS the Personal Sales of all the Retailers in his Direct Team. If an Affiliate/Mogul has not built a team, he can qualify by meeting this requirement himself.
- ♫ **Number of Direct Team Stores:** The number of stores (I.C.E. sites) that he personally sponsored after he becomes a retailer.
- ♫ **Product sales:** include sales of **music downloads, I.C.E. Sites, BurnWear, and other BurnLounge merchandise**, excluding any tax, shipping or handling. Sales of **Mogul Affiliate Toolkits, BurnLounge Magazine, sales aids, BurnLounge University, Business Management Software subscriptions**, and the purchase of **Gift Cards or BurnRewards** are not included in the monthly product sales. There is no minimum compensation on any product type except music downloads.

## ***BONUSES***

Bonuses are available only to Affiliates and Moguls; and Moguls receive additional bonuses that Affiliates cannot.

### ***THE CUSTOMER BONUS***

Available to Affiliates and Moguls. When an Affiliate or Mogul sells a \$29.95 I.C.E. site to any Affiliate or Mogul, and that site becomes active by selling TWO ALBUMS (must be sold to a customer who is not retailer), the sponsoring Affiliate/Mogul receives a Customer Bonus of \$10.00.

### ***THE MOGUL CUSTOMER BONUS***

Available to Moguls only. When a Mogul sells a \$29.95 I.C.E. site to any new **Mogul**, and that site becomes active by selling TWO ALBUMS (must be sold to a customer who is not retailer), the sponsoring Mogul receives a Mogul Customer Bonus of \$10.00 in addition to the Customer Bonus.

Also, When a Mogul sells a \$300 BurnLounge University to any new Mogul, the Mogul receives an additional Mogul Customer Bonus of \$30.00.

### ***THE MOGUL TEAM BONUS***

Available only to active Moguls who have also personally sponsored at least two moguls in their team. The Mogul Team Bonus is an incentive to build powerful teams of active Moguls who sell lots of music.

An award of \$50 is released when a Mogul achieves a threshold of 600 active and balanced Mogul Points in their Mogul Team Viewer (part of their B.M.S.™ Platinum Software).

Here's how **balance** and **Mogul Points** work together to yield a Mogul Team Bonus:

For each active Mogul in your team, you receive 100 Mogul Points.

For each University Package purchased by a Mogul in your team, you receive 300 Mogul Points.

Your Mogul team is automatically built with a Side A and Side B. In order to receive a Mogul Team Bonus, you must build a balanced team. There are three ways Moguls can be added to your team. 1) You personally sponsor them. 2) Someone in your team sponsors them. 3) Your sponsor assigns a new Mogul to your team. While Moguls can be added to your team by someone else, that is only half the job. In order to **balance** your team you must personally sponsor Moguls, as well. As you personally sponsor new Moguls, the system automatically places those new stores on either Side A or Side B, whichever will balance your team fastest. Once the point total on both Side A and Side B equals 300 you receive a \$50 Mogul Team Bonus.

300 Mogul Points are then deducted from each side of the Mogul Team viewer. Every time a new threshold of 600 balanced Mogul Points is reached (300 on each side), another \$50 Mogul Team Bonus is released and the process begins again.

If your team achieves balance and you are not active (2 album sales and 2 personally sponsored Moguls) then the balanced points are deducted from your Mogul Team Viewer and you do not receive the \$50 Mogul Team Bonus.

### ***PAYMENT SCHEDULE***

Active retailers will be paid weekly. The rewards are calculated on Friday for the prior weeks activity.