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## **EXHIBIT A**

### **DIRECT METHODS OF EXPORTATION**

#### **I. SALES REPRESENTATIVE**

- Overseas Equivalent of Manufacturer's Rep
- Presents Company's Product Literature, Samples and Prices to Potential Buyers
- Usually Works on a Commission Basis
- Assumes No Risk or Responsibility
- Usually Under Contract for a Definite Period of Time
- Exclusive or Non-Exclusive

#### **II. AGENTS**

- Sales Representatives with "Enhanced" Authority
- Can Have Power of Attorney
- Can Make Legally Binding Commitments on Behalf of the U.S. Firm
- Legal Liability: Agent vs. Representative

#### **III. DISTRIBUTORS**

- Purchase the Product from the U.S. Firm  
(Often at a Substantial Discount)
- Import the Product and Stock it in the Local Country
- Add Value, Market, Advertise, Provide After Sale Support and Service
- Perform Under Terms of Contract:
  - Payment Terms
  - Time Period
  - Territory
  - Exclusive/Non-Exclusive

#### **IV. FOREIGN RETAILERS**

- Generally Limited to Consumer Products
- Enhanced by the Recent Growth of Major Retail Chains in Certain Countries  
(Japan, Canada, Eastern Europe, etc.)
- Accomplished by Using Traveling Sales Representatives and/or Mailing Catalogs, Brochures, etc.

**V. END USERS**

Often Includes:

- Foreign Governments
- Larger Businesses
- Institutions (Hospitals, Banks, Schools)

Require Very Specialized Identification and Qualification

Require that the U.S. Firm Be Self-Sufficient to Handle all Export Functions:

- Research
- Marketing
- Shipping
- Payment Collection
- Product Service

**VI. OTHER ALTERNATIVES**

**Joint Venture Partner with Foreign Party**

- Share Profits and Losses
- Share Risks
- Gain Advantage of Local Party's Contacts
- Share Complimentary Technology, Services, Products or Other Strengths

**Franchising**

- Compliance with Franchise Codes
- Disclosure Requirements
- Sell Units/Stores on Individual Basis or through Regional Master Franchisor
- Implement Systems Operations Manual to Ensure Uniformity of Operations and Store Appearance
- Allows for Rapid Expansion
- Administrative and Support Costs

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## **EXHIBIT B**

### **QUESTIONS FOR SCREENING DISTRIBUTORS**

#### **I. Prior History**

- (a) What other businesses have you been in or are currently in? What has been the success of those businesses?
- (b) Have you owned and operated a free-standing store before and managed a retail staff?
- (c) Please explain what retail experience you have. Any cosmetic experience?
- (d) Have you distributed products within your country before?
- (e) Have you been responsible for product supply forecasting before?
- (f) Do you have experience with local sales through the Internet?

#### **II. Prior International Experience**

- (a) Have you had any business relationships with other foreign manufacturers?
- (b) Have you imported products from the United States before?
- (c) What are your local customs and import duties, if any, for cosmetics?
- (d) Are you aware of any requirements for import documents that must be prepared by our company (e.g., certificate of free sale) (i.e., authorized to produce and sell product in U.S.) and certificate of manufacturer (i.e., our company satisfied GMPs), and other documentation from the manufacturer – is there a need to get certain documents validated by the distributor's embassy, consulate or trade office?
- (e) Are you aware of any product registration approvals that are required in your territory?
- (f) Have you registered products with your Ministry of Health before? Are you aware of all of the procedures involved?
- (g) Other than product registration, are there any special local regulations with which our company must comply (e.g., labeling of products, packaging, formulations, local language requirements)?

### III. Development of the Business

- (a) What specifically attracted you to launch our brand in your country? Have you been to any of our stores in the U.S. or overseas?
- (b) How do you perceive developing our brand in terms of free-standing stores versus wholesale distribution?
- (c) How actively involved will you be in the business? Do you plan on being the point of contact for day-to-day operations? If not, do you have an operational manager in mind who speaks English?
- (d) Are there family members who you would involve in the business?
- (e) What are your long-term plans for the business?
- (f) Do you employ or do you intend to hire anyone with extensive specialty retail experience?
- (g) Do you have warehousing facilities?

### IV. Financial Viability

- (a) How much do you plan to invest to establish the brand/business in the territory? (This would include build out of stores, sales personnel [including a retail staff, a designated trainer and a marketing person], purchase of product and carrying of inventory, brand development). What are the sources of the investment?
- (b) What do you expect to be your return on investment over a 5-year period?
- (c) What is the sales volume in U.S. dollars by distribution outlet that you expect? Is this volume consistent with the average sales per sq. ft. of cosmetic retail space achieved by your defined competitors in your market? (Info. on competitors is often available from a real estate broker or mall management.)
- (d) What do you estimate to be your percentage of labor costs to retail sales? (For our retail stores, approximately 20% of its retail sales are applied to labor costs.)
- (e) Do you anticipate currency fluctuations to be a problem in terms of purchase of product from us? (A couple of our distributors have addressed this issue by purchasing forward contracts to take into account currency fluctuations.)
- (f) Do you have financial experience in dealing with overseas companies (e.g., letter of credit, payment transfers and currency fluctuations)?

**V. Real Estate Experience**

- (a) Have you conducted business and do you have contacts with owners/landlords of upscale retail locations?
- (b) In which cities would you open free-standing stores?
- (c) How many free-standing stores would your country accommodate?
- (d) With respect to store build outs and store-in-store installations, please explain the typical term of a lease, the rental in U.S. dollars on a store that might be 600-700 sq. ft. (56-65 sq. meters), and whether there is any key money or security deposit required and what amount that would generally be.

**VI. Brand Development**

- (a) What resources would you plan to dedicate to brand development? Also, how do you intend to position the brand and who would be the major brand competitors in your market? How familiar are you with the skincare market?
- (b) Have you developed a brand before? Explain brand, the development procedures and results.
- (c) Have you developed and implemented marketing, advertising and promotional programs before?
- (d) Which wholesale distribution outlets (e.g., department stores) would you consider and why?

**VII. Miscellaneous**

- (a) Ensure potential distributor has received an International Press Kit.
- (b) Discuss time frame to submit a business plan (or revised business plan).
- (c) Provide explanation of territory fee policy.
- (d) Discuss various forms of support we provide to distributor (e.g., Account Manager's role, support materials, etc.)

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## **EXHIBIT C**

### **BUSINESS PLAN GUIDE**

#### **Introductory Comments – Country Overview**

- Population
- Tourism effect
- Major cities
  - ❖ Capital City – population/merits
  - ❖ Other major cities – population
- Provinces – Number
  - ❖ Number of main cities in the provinces
  - ❖ Average population of these main cities (i.e., 100,000 – 200,000)
- Islands or similar population centers associated with the territory that merit consideration for development (population/important qualities/tourism trade, etc.).
- Demographics
- Per capita income
- Country characteristics/significant facts that support business climate

#### **Plan Outline**

##### **I. Cosmetic Industry Overview**

- Industry sales – as a total industry (3 year trend)
  - ❖ Skincare segment - 3 year trend
  - ❖ Cosmetics segment - 3 year trend
  - ❖ Fragrances segment - 3 year trend
  - ❖ Spa segment - 3 year trend
- Advertising expenditures in the industry (By segment for most recent year available)

##### **II. Brand Positioning**

- Identify how brand is to be positioned in the marketplace (i.e., with which major cosmetic lines/brands/pricing)
- Store location targets (describe location characteristics)
- What will drive the brand in your territory? (i.e., advertising medium, price, brand recognition, perceived value and performance)
- Opportunities for brand introduction
  - ❖ Population centers (identify population counts)
  - ❖ Middle to high income groups (identify)
  - ❖ High demand for natural, water-based Products?
  - ❖ High demand for USA brands/trademarks?
  - ❖ Industry under-represented in this niche?
- Upcoming major events (perhaps international events such as Olympics, World Cup, etc., that provide opportunities for broad exposure of the brand).

**III. Target Customer**

- Demographics
- Income level
- Other customer characteristics
- Where are they located?

**IV. Flagship Store Potential**

- Identify main cities and number of outlets
- General or specific areas of the city
- Characteristics of location
- Special store locations (i.e., tourist, island, etc.)
- Identify space (site/location) availability, size and cost
- Project the store's development schedule – five years
  - ❖ Number of stores each year
  - ❖ Time frame to open (1<sup>st</sup> – 2<sup>nd</sup> – 3<sup>rd</sup> – 4<sup>th</sup> – Quarter for example)
- Barriers to Entry
  - ❖ Bureaucracy (describe)
  - ❖ Regulatory agencies (describe)
  - ❖ Cost of doing business (describe)
  - ❖ Competition (describe)

**V. Retail and Wholesale Distribution Opportunities**

- Channels of distribution in market (Mass Marketers, Drug Stores, etc.)
- Retail chain outlets
  - ❖ Name of retailer and number of outlets
  - ❖ Retail sales – most recent year available
  - ❖ Retailer's market share
- Wholesale opportunities
  - ❖ Name and number of up-scale shopping malls
  - ❖ Name and number of up-scale department stores
  - ❖ Name and number of up-scale spas, salons, etc.

**VI. Marketing Strategy**

- Identify specific activity
- Goal of strategy
- Frequency
- Cost

**VII. Public Relations/Advertising Campaign/Store Launch Plans**

- Identify specific activity
- Goal of program(s)
- Frequency
- Cost

**VIII. Background Information**

- Name of individuals who will support our brand
- Describe their experience and skills
- Qualifications

**IX. Five Year Financial Pro-Forma with Annual Sales Targets  
& X. Annual Product Purchases for the Next Five Years**

- Minimum basic information
  - ❖ Number of stores
  - ❖ Annual sales targets
  - ❖ Gross profit dollars
  - ❖ Gross margin %
  - ❖ Operating expenses
  - ❖ General and administrative costs
  - ❖ Net income
- Cash flow statement
- Annual product purchases from our company– 5 year projection

**XI. Credit References and Financial Statements**

- Name, address, phone/fax numbers (email address if available) of bank(s) and name of contact person
- Name, address, phone/fax numbers (email address if available) of trade references and name of contact person. (NOTE: Trade references are companies with which you have credit terms)
- Personal and/or Company Financial Statements



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## **EXHIBIT D**

### **EXPORT SALES CONTRACT CHECKLIST**

A helpful checklist for export sales contracts is as follows:

1. Parties
  - (a) Name and address;
  - (b) Restrictions or exclusions on appointment (e.g., certain types of customers or accounts);
  - (c) Define nature of relationship (e.g., independent purchaser and seller).
  - (d) Exclusivity or Non-Exclusivity
2. Description of Goods
3. Territory Defined
4. Quantity (e.g., annual minimum purchases)
5. Price
6. Currency of Payment
7. Place of Delivery
8. Time of Delivery
9. Terms of Payment
  - a. Cash in advance?
  - b. Open account?
  - c. Sight draft?
  - d. Time draft?
  - e. Letter of credit –
    - revocable or irrevocable?
    - confirmed or unconfirmed?
10. Transportation
  - Who arranges?
  - Who pays?
11. Transportation Insurance
  - Who arranges?
  - Who pays?
12. Export Licenses & Product Registrations - Who Obtains and Who Pays?

13. Export Duties – Who Pays?
14. Import Licenses – Who Obtains?
15. Risk of Loss Transfers – Where/When?
16. When Does Title Pass?
  - Tax Considerations
  - Security Considerations
17. Excuses for Nonperformance (force majeure)
18. Warranties
19. Limitations on Liability
20. Indemnities
21. Ownership and Protection of Intellectual Property
22. Confidentiality
23. Reporting Obligations (e.g., Sales Reports, Forecasts, Promotional Materials)
24. Liability Insurance
25. Internet Policies and Procedures
26. Governing Law
  - Law of Seller's Country
  - Law of Buyer's Country
  - Law of Third Country?
  - U.N. Convention on Contracts for the International Sale of Goods?
27. Modification of Agreement
28. Dispute Resolution
  - National Forum;
  - Third-Country Forum;
  - Arbitration
29. Notices to Parties
30. Guarantor Provisions
31. Restrictions on Assignment of Agreement
32. Terms and Conditions Triggering Termination
33. Post-Termination Obligations of Parties