

Nathan P. Moore
Senior Vice President,
General Counsel & Secretary

MARY KAY

July 17, 2006

Federal Trade Commission/Office of the Secretary
Room H-135 (Annex W)
600 Pennsylvania Avenue, NW
Washington, DC 20580
ATTN: Donald S. Clark, Secretary

Re: Comments of Mary Kay Inc. to the proposed Business Opportunity Rule,
R511993

Dear Secretary Clark:

Mary Kay Inc. ("Mary Kay" or "Company") respectfully submits the following comments on the Notice of proposed Rulemaking ("NPRM" or "proposed Rule") of the Business Opportunity Rule to the Federal Trade Commission ("FTC" or "Commission") published in the Federal Register, 16 CFR Part 437, on April 12, 2006.

Mary Kay agrees that it is critical to protect Americans by eliminating business opportunity fraud. However, we believe the proposed Rule would subject Mary Kay and our independent sales force members to impractical, unnecessary and burdensome compliance requirements which would devastate our 43 year old Company known widely for its steadfast commitment to ethical and legitimate business practices. As such, we believe it is imperative that the Final Rule not apply to legitimate direct selling companies that have multiple consumer protections already built into their recruiting and sales processes.

In these comments we will: provide background information about our Company, our long-standing consumer protections, and the Mary Kay independent sales force; analyze specific sections of the proposed Rule that we believe will adversely affect our business without any concomitant consumer benefit; and detail specific reasons why we believe that the proposed Rule is unnecessary and could create consumer confusion.

I. Introduction to Mary Kay

Mary Kay is a family-owned direct selling company engaged in the business of manufacturing and distributing at wholesale cosmetics, toiletries and fragrances.

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The Company is headquartered in Dallas, Texas and was founded September 13, 1963, by Mary Kay Ash and her son, Richard R. Rogers. It maintains its principal manufacturing plant in Dallas, Texas. Mary Kay conducts business in over thirty countries around the world. There are 1.6 million Independent Beauty Consultants worldwide, with over 700,000 in the U.S.

The Mary Kay business plan is to work with independent contractors known as Independent Beauty Consultants. The Independent Beauty Consultants purchase Mary Kay® products directly from the Company at wholesale and then resell those products to the ultimate consumer at a retail price determined by the Independent Beauty Consultant. A cornerstone of the Mary Kay business model is the fact that a Mary Kay Independent Beauty Consultant is an independent contractor, free to operate her Mary Kay business as she sees fit.

The Mary Kay structure is based on retail sales to the ultimate consumer via Independent Beauty Consultants. All products sold to end consumers are backed by a 100 percent Satisfaction Guarantee. The quality of Mary Kay® products and the success of Mary Kay Ash's vision are demonstrated by the fact that, in 2005, Mary Kay was once again the best-selling brand in the combined categories of facial skin care and color cosmetics in the U.S. (based on the most recent industry sales data and actual Mary Kay sales). This is not an isolated accomplishment – Mary Kay has been able to make this claim for 11 of the past 12 years.

A. Our Company's Mission, Principles and Values

Mary Kay's mission is to enrich women's lives. More than 40 years after Mary Kay Ash founded the Company, Mary Kay still embodies the core philosophies of its founder: to use the Golden Rule as a business guide and to help women live a balanced life by placing God first, family second and career third. Thousands of Independent Beauty Consultants through the years have embraced these tenets and enjoy personal success based on this approach.

B. Company Honors, Awards and Recognition

Mary Kay Ash and her Company are truly American success stories. Having started her business in a storefront in Dallas, Texas to provide women with opportunities, Mary Kay Ash is a role model for corporate culture and responsibility, and an inspiration to working women. For example, in 2003 Mary Kay Ash was named the greatest female entrepreneur in American history by Baylor University. Mary Kay is one of 20 companies profiled in the 1996 book, *Forbes Greatest Business Stories of All Time*, and Mary Kay Ash is the only woman featured. Mary Kay Ash and the Company have been the focus of countless business school studies on the Mary Kay sales methods and ethical leadership practices. The Company's and Mary Kay Ash's milestones, accolades, and third party recognition are attached as Attachment A to these comments.

C. Mary Kay Independent Beauty Consultants

Mary Kay's U.S. independent sales force is filled with small business owners, typically operating their businesses on a part-time basis. They become Independent Beauty Consultants to meet short-term financial goals – such as the purchase of holiday gifts for their family, to replace an appliance in their home, or to pay for school clothes or tuition for their children. The money they earn is regularly used to supplement their family income, although some Independent Beauty Consultants choose to work their business full time and make it their “career.” Indeed, it is this flexibility of schedule that allows these women the luxury of staying at home with their children or conducting their Mary Kay business in conjunction with their full-time employment.

An overwhelming number of Mary Kay Independent Beauty Consultants are women. They, however, are extremely diverse – from housewives to urban professionals and from all socioeconomic backgrounds. In short, there is no “typical” Independent Beauty Consultant.

Becoming an Independent Beauty Consultant is convenient, simple, and straightforward - an individual signs a one page Independent Beauty Consultant Agreement (“Agreement”) and purchases the Starter Kit for approximately \$100. This kit contains business tools and literature, as well as a generous amount of full sized Mary Kay® products with a retail value of over \$300. Furthermore, to reduce the risk of loss for a new Independent Beauty Consultant and to allow for changed circumstances, the Company contractually allows the return of the Starter Kit for a full, 100 percent refund within the first thirty days after an Agreement is signed.

No compensation is earned by anyone on this Starter Kit purchase, *i.e.* for “introducing” a new Independent Beauty Consultant. This kit contains everything an Independent Beauty Consultant needs to immediately begin conducting skin care classes. At those classes, she can take orders for products and then at a later time purchase product from the Company at wholesale to fulfill those orders. Alternatively, if she chooses, an Independent Beauty Consultant can purchase an inventory of product to have on hand at her skin care class to fill any orders she may receive immediately. The choice of whether or not to buy inventory (including how much or how little she may want to purchase) is completely up to her.

All Independent Beauty Consultants purchase their products and inventory directly from Mary Kay at the same wholesale price. There are no levels of wholesalers between the Company and the consumer, therefore all members of the independent sales force purchase Mary Kay products directly from the Company at the same published wholesale prices for resale to consumers of their choice at retail prices they set.

The Independent Beauty Consultant Agreement is simple and straightforward. The key terms provide: 1) the Independent Beauty Consultant's right to purchase products from the Company at wholesale for the purpose of selling such products to the end consumer; 2) protections of the Company's federally registered trademarks

and service marks; 3) the independent contractor status of the Independent Beauty Consultant; and 4) the rights the Independent Beauty Consultant has with regard to receiving a 100 percent refund for her Starter Kit within the first 30 days and the Company's promise to buy back, at 90 percent of the Beauty Consultant's original cost, any of the products she purchased at wholesale from the Company within one year from the date of purchase. Furthermore, there are no provisions in the Independent Beauty Consultant Agreement that prohibit the Independent Beauty Consultant from conducting other direct selling businesses, even businesses that compete directly with Mary Kay. This flexibility applies both during as well as after her Mary Kay business may end.

Independent Beauty Consultants can earn money through two avenues of income. First and foremost, they earn money from the profit they receive from the retail sale of Mary Kay® products. Then, if an Independent Beauty Consultant chooses to introduce others to Mary Kay, she can receive compensation based upon the retail sale of products by those individuals.

Like other direct selling companies, Mary Kay has structured its business model to accommodate these part-time micro-entrepreneurs (we would estimate that approximately 80 percent or more of the Mary Kay sales force members are part time) by: (1) ensuring the simplicity of the contractual provisions associated with their business; (2) lowering the barriers to entry through the nominal cost of the Starter Kit; and (3) not requiring the purchase of inventory to begin their business. The option of only purchasing products from Mary Kay to fill orders also reduces any financial outlay or risk on the part of the Independent Beauty Consultant.

The low cost of a Starter Kit with a 100 percent, 30 day buy back guarantee, the 90 percent inventory repurchase provision, the direct relationship of the Independent Beauty Consultant with Mary Kay, the flexibility in selling products from inventory or ordering via Mary Kay, and the ability to work-part time around other important personal obligations makes the Mary Kay opportunity a low risk venture with little or no need for burdensome or onerous disclosure requirements. Mary Kay has considered and met the needs of its sales force for over 40 years, and understands what protections – such as the buy back guarantees – are useful to a part-time sales force, and what requirements – such as laborious reporting requirements – fill no discernible need.

II. Applying the proposed Rule to Mary Kay

We understand that the proposed Rule has been modeled after the existing regulatory requirements for franchises, however, our business is vastly different from a franchise. Franchisees must sort through complex contractual obligations, are subject to geographic/territorial limitations, must invest a substantial amount of time and money, and are required to follow to the letter a set business program with specific rules and requirements. As stated previously, becoming a Mary Kay Independent Beauty Consultant is simple, straightforward and low in cost. If adopted the proposed Rule could create significant barriers to entry and have a devastating impact on our legitimate business, requiring Mary Kay to drastically

alter our 43-year old sales methods by subjecting us and our independent sales force members to impractical, unnecessary and burdensome compliance requirements. Therefore, Mary Kay provides the following discussion of specific requirements of the proposed Rule and the impact they would have if applied to our Company.

A. The Seven Day Waiting Period

A Mary Kay business is built on relationships – and the enthusiasm an Independent Beauty Consultant has with her family, personal friends, or co-workers when she tells them about our great Company, our products and her Mary Kay business. Women decide to become Independent Beauty Consultants after attending a skin care class and experiencing for themselves the effect of using our high quality products, or attending a guest night event and hearing compelling stories of personal growth and development, or learning how being an Independent Beauty Consultant has positively changed the personal situation of a family member or friend. The inspiration and enthusiasm associated with these events is a strong motivator which helps new Beauty Consultants to “hit the ground running” in their Mary Kay businesses. The ability to nurture and channel this enthusiasm can often mean the difference between success and failure for a new Beauty Consultant.

Requiring a seven day waiting period will stifle this enthusiasm and lessen the chance of the individual’s participation and /or success.¹ In our opinion the presale disclosure requirement is a significant barrier to entry – and makes the simple decision of becoming an Independent Beauty Consultant unnecessarily burdensome and complicated while delaying the ability to “hit the ground running” after her introductory experience.

Furthermore, we believe the proposed Rule’s disclosure requirements and waiting period needlessly creates an “air of suspicion” in the mind of a prospective Independent Beauty Consultant. A prospective Independent Beauty Consultant trusts the Mary Kay experience shared by her family, her friends, and her co-workers. If, in the future, prospective Independent Beauty Consultants are required to be presented with a presale disclosure document and wait a period of time for review, analysis, and examination, it would be natural for her to think “what is wrong here?” despite her general trust in her family and friends’ experience. Such suspicion would be misled in light of our 43 year history with legitimate and ethical business practices coupled with our built-in consumer safeguards, but nonetheless, these concerns would impact Mary Kay’s ability to continue to tell the Mary Kay story. This disclosure requirement would suggest a level of risk that simply does not exist.

Mary Kay is a member of the Direct Selling Association (“DSA”) and, as a condition of association membership, is required to provide Independent Beauty Consultants the opportunity to sell back any inventory they might have purchased from our Company within one year from date of purchase. Protected by this 90 percent buy-

¹ NPRM § 437.2.

back amount mandated under the DSA Code of Ethics, coupled with the promise to fully refund the Starter Kit within 30 days, a risk of financial loss by a Mary Kay Independent Beauty Consultant is quite limited, particularly in light of the minimal up-front costs otherwise involved with beginning in direct selling. Consequently, an interested prospect can reasonably determine that she wants to be involved in her own Mary Kay business, order a Starter Kit and start conducting her business and earning income immediately. The presale disclosures will not increase the consumer protections Mary Kay already provides through its buy back program.

If applied to Mary Kay, the proposed Rule's requirement that certain disclosures be given at least seven calendar days before an individual can become an Independent Beauty Consultant is impractical, unnecessary and would force fundamental changes to a low risk, 43-year old business model—making it one which is unnecessarily structured and regulated. With the seven-day waiting requirement in the proposed Rule, the Commission has potentially imposed a burden on low-risk, low-cost direct selling activities regardless of the potential for consumer loss, and of the consumer protection guarantees already established in programs such as Mary Kay.

B. Geographic references

Mary Kay strongly supports the concept of an informed purchaser and agrees that providing appropriate information to a prospective distributor is valuable. In fact, we subscribe to and support the current requirements of the DSA Code of Ethics which specifically requires that DSA member companies provide both the customer and the potential distributor with full and accurate information.

Based on our experience with the Mary Kay independent sales force we believe that appropriate and adequate information is currently being made available to prospective Beauty Consultants. We also believe that the proposal to require geographic references (alternatively known as the 10 person rule)² is an unnecessary, unmanageable, and impractical burden on our Company and sales force and could have a devastating impact on sales force recruiting, sales force income and our Company revenues.

Because many Beauty Consultants operate their Mary Kay businesses in addition to full time jobs and/or a full family life, they find ways to spontaneously and informally integrate their Mary Kay businesses into their everyday lives. Whether they are grocery shopping, attending their children's sporting events or participating in weekly book clubs – Independent Beauty Consultants enjoy and take advantage of the simplicity and flexibility found in their business. Their business is about building positive, encouraging relationships – and with no geographic territories imposed upon them, these conversations could just as easily occur on the beach while vacationing miles away from their home states.

² NPRM § 437.3(a)(6).

As described above, a Mary Kay Independent Beauty Consultant can encounter a prospective recruit in many different social settings, many of which are unplanned and spontaneous. It would be virtually impossible for an Independent Beauty Consultant to disclose the required reference information because she would likely not have this specific information immediately available for a particular prospect that she might unexpectedly meet at a social gathering, skin care class, or other event. She would have no way of knowing in advance who the 10 geographically nearest purchasers applicable to such an individual might be, and thus would be unable to comply with this requirement.

Under the proposed Rule, the only alternative to disclosing the ten geographically nearest purchasers would be to provide a complete list of the names and private information of *every* Mary Kay Independent Beauty Consultant. The aggregated database of Mary Kay Independent Beauty Consultants is a highly confidential, proprietary trade secret and is considered one of our most valuable corporate assets. Requiring us to reveal this information in aggregated form is unacceptable as it would compromise this valuable asset, and put our Company and Beauty Consultants at significant risk from others, either competitors, vendors or bad actors (fraudsters) – clearly contrary to the Commission’s intent.

The Company provides other ways that a prospective Independent Beauty Consultant can learn about Mary Kay. Our Company website is a valuable source of information, and can also be the source for individual Consultant contact information. We also offer a toll free telephone number so that someone could locate an Independent Beauty Consultant in their zip code area.

In addition, a prospective Independent Beauty Consultant probably knows more about Mary Kay from conversations with people she already knows than she could obtain from talking with 10 strangers. The overwhelming majority of Independent Beauty Consultants are either part-time or enter the business for a short time period therefore frequent sales force turnover eliminates any benefit to prospective Independent Beauty Consultants under this provision of the Rule. Making this list available would be a significant burden on our Company and our independent sales force members without providing any new, different or better information to a prospective Independent Beauty Consultant.

Furthermore, the potential privacy concerns raised by this requirement are significant. The proposed Rule would require that existing members of the independent sales force be notified that their personal information (including telephone number) “can be disclosed in the future to other buyers.” We believe that this notice alone could have a significant “chilling effect” on the willingness of an individual to engage in direct sales because they would be forced to decide between becoming an Independent Beauty Consultant and being subject to the disclosure of her private information or not becoming an Independent Beauty Consultant in order to protect her privacy. The FTC has rightly noted in other proceedings that “consumers must be given options with respect to whether and how personal

information collected from them may be used.”³ Therefore, the geographic references required by the Proposed Rule seem inconsistent with the Commission’s recent focus on consumer privacy and identity theft issues.

Additionally, we do not believe that the dissemination of this information will be limited to other “buyers.” Direct selling companies would be forced to give this information to anyone who might be interested in selling; the information could then be used for any purpose, including a potential competitor who decides to pursue current sales force members.

We believe the Commission has seriously underestimated the devastating legal, practical, and economic consequences revealing the identities could have on legitimate direct selling businesses.

C. Legal action

Section 437.3(a)(3) of the proposed Rule requires that sellers of business opportunities provide disclosures regarding all legal actions (regardless of outcome) concerning “misrepresentation, fraud, securities law violations, or unfair or deceptive practices” from the previous ten years. This disclosure would include civil court cases and arbitrations, all governmental actions including criminal matters and administrative law actions, as well as cease and desist orders or assurances of voluntary compliance. The legal action requirement in the NPRM is overly broad and does not provide potential recruits with specific information that would be helpful in that it goes well beyond the scope of concluded litigation applicable to the sale of the business opportunity.

The requirement that direct sellers create, monitor, maintain, update and then make available, a report on such a broad scope of litigation would be an impracticable and virtually impossible burden. The proposed Rule would require disclosure of litigation potentially unrelated to the business opportunity transaction, as well as litigation that was favorably resolved for a legitimate direct selling company, settled, or otherwise completed in such a way as to be irrelevant to the recipient of the report.

For example, many legitimate commercial enterprises today face the challenge of frequent litigation. These legal actions might involve claims of misrepresentation, yet have no relevance to the purchase or sale of a business opportunity. When there is litigation between corporations over an intellectual property matter, a litigant might allege misrepresentation; that lawsuit (and others like it) would have to be reported under the proposed Rule.

Additionally, the proposed Rule as currently drafted is unclear in its scope. A direct selling company, if covered by the rule, might be obligated to report not only litigation involving the company itself, but also litigation involving any member of its

³ Online Profiling: A Report to Congress, Part 2: Recommendations, July 2000. <http://www.ftc.gov/os/2000/07/onlineprofiling.htm>

independent contractor sales force. If thus interpreted, the proposed Rule would create a truly unmanageable burden with regard to this disclosure alone, in that a company would be forced to track such litigation over a ten-year period, maintain a database of that docket, and distribute the information. With a sales force over 700,000 individuals, a large number of which are new each year, the burden of effectively complying with such requirements would be virtually impossible. Meanwhile, a majority of the litigation information collected for such purposes would likely be completely unrelated to the business opportunity and not dispositive to the decision-making process of the prospective Independent Beauty Consultant.

D. Record keeping/Compliance burden

The Commission asserts that the proposed Rule would “reduce the burden on business opportunity sellers by streamlining disclosure requirements to minimize compliance costs.” Sec. H – Paperwork Reduction Act, p 19080. We believe the Commission has grossly underestimated the impact the proposed Rule will have on direct sellers – and adding this new compliance obligation will not minimize costs, but in fact will substantially increase costs to our Company and our Independent Beauty Consultants.

The proposed record keeping requirement for the Independent Beauty Consultant and the Company is an overwhelming burden.⁴ Our experience shows that an Independent Beauty Consultant meets with a minimum of five prospects before recruiting one. Based on a conservative rate of sales force recruiting and turnover, we have 40,000 new Independent Beauty Consultants each month, with a total of 2.4 million disclosure opportunities each year. We conservatively calculate that the required disclosure documents for Mary Kay would consist of a minimum of 4 pages of information. Therefore, this proposed Rule requires our Independent Beauty Consultants, many of which work their business only on a very part time basis, to maintain an aggregate of almost 10 million documents in their files each year, or 30 million documents for the required three-year retention period. This is an overwhelming burden and changes the Independent Beauty Consultant’s role from independent entrepreneur to keeper of papers and files.

Furthermore, if Mary Kay maintains a duplicate set of disclosure records, 60 million new records would be on file at any given time. Compliance with this overwhelming record keeping requirement in its present form is estimated to require Mary Kay to dramatically change well-established business processes and incur at a minimum between \$300,000 and \$500,000 per year in additional expenses for additional employees, software and training.

Even if the disclosure information was available electronically, our Independent Beauty Consultants and our Company would be expected, in fact required, to maintain sufficient records to demonstrate that the presale disclosure occurred given that the NPRM requires the disclosure to be presented to the prospect. We expect that there will be significant manual and technical process changes incurred

⁴ NPRM § 437.6.

because of the record keeping requirements. The mechanics of this specific requirement could be staggering – and in our view do not assist the Commission in prosecuting perpetrators of fraudulent activity.

E. Earnings claims

Section 437.4 of the proposed Rule states that no earnings claim may be made without detailed, specific disclosures covering a wide range of issues. The proposed language is sweeping, incorporating very precise, orchestrated disclosures without providing any real consumer protections. Therefore, fraudulent actors will not comply with its specificity, while legitimate actors will be forced to give very cumbersome disclosures when current law and the DSA Code of Ethics should have sufficed. The proposed earnings claim requirement is not as strong a deterrent to fraudulent activities as appropriate government enforcement action against unfair or deceptive earnings claims and therefore is unnecessary to this proposed Rule.

IV. Conclusion

The proposed Rule is too broad, too unwieldy and too overreaching – it would have a devastating impact on well-established businesses such as Mary Kay that provide avenues for personal growth and development, and would not achieve the desired consumer protection impact the Commission seeks.

For over 40 years the safeguards built into our business for consumers and Independent Beauty Consultants have worked. Mary Kay's consumer protection safeguards include: 100 percent Satisfaction Guarantee (added by DH); 100 percent buy back guarantee of the Starter Kit within 30 days of signing the sales Agreement; 90 percent buy back guarantee of inventory purchased within a year for all Independent Beauty Consultants, nominal investment into the Starter Kit and no requirement to purchase inventory, and no "non-competition" clauses in the simple, one-page Agreement. Furthermore, Independent Beauty Consultants are paid based upon the purchase or sale of Mary Kay® products, they are not paid on the basis solely of recruiting. Independent Beauty Consultants are independent contractors, free to conduct their Mary Kay businesses as they see fit. Mary Kay is a member of the DSA, a not for profit trade association recognized under the Internal Revenue Code, Sec. 501(c)(6), which requires as a condition of membership compliance with a Code of Ethics that prohibits deceptive practices, fraud or misrepresentation regarding sale or recruitment practices. These safeguards have provided substantial and meaningful protection from financial loss for the millions of Independent Beauty Consultants who have used and sold Mary Kay® products.

To the extent companies have adopted similar consumer protection standards, the proposed Rule might actually cause more consumer damage than benefits. The detrimental impact will be felt both by Mary Kay because of the overwhelming administrative burden it creates, as well as by our Independent Beauty Consultants, who will have significantly increased administrative and disclosure obligations while at the same time suffering from potential increased risk of privacy intrusions.

In our view there is no compelling evidence that the proposed Rule would benefit our business in any way – in fact, the NPRM would have an extremely damaging impact on our Company, our Independent Beauty Consultants, and the sterling reputation for ethics and integrity that is the legacy of our founder, Mary Kay Ash.

For these reasons we ask the Commission to reconsider the promulgation of this Rule and we look forward to participating in any forum available to address constructively ~~these~~ issues and our concerns.

Very truly yours,

Nathan P. Moore
Senior Vice President, General Counsel and Secretary
Mary Kay Inc.

ATTACHMENT A

MARY KAY INC. Company Milestones

- 1963 On Friday, September 13, Mary Kay Ash establishes Mary Kay Cosmetics – a “dream” company which she envisions will offer women unprecedented opportunities for financial independence, advancement and personal fulfillment. Mary Kay opens a 500-square-foot storefront in Dallas with the help of her 20-year-old son Richard Rogers, her life savings of \$5,000 and nine Independent Beauty Consultants.
- 1969 Mary Kay awards the use of the first pink Cadillacs to the top-five Independent Sales Directors.
- Construction begins on the Mary Kay Dallas manufacturing facility. Today, it is one of the largest cosmetics manufacturing facilities in the Southwest, measuring the size of approximately three football fields.
- 1971 First international subsidiary opens in Australia.
- 1973 On the company’s 10-year anniversary, the Mary Kay Independent Beauty Consultants’ count totals more than 21,000.
- 1980 In addition to Australia, Mary Kay’s international markets now include Canada and Argentina.
- 1983 Mary Kay Cosmetics celebrates its 20th anniversary; wholesale sales exceed \$300 million.
- The Mary Kay Independent Beauty Consultant count totals nearly 195,000.
- 1984 The first edition of *The 100 Best Companies to Work for in America* book features Mary Kay Inc.
- 1990 Mary Kay now operates in 10 markets worldwide.
- 1991 Wholesale sales reach the \$500 million mark.
- 1993 Mary Kay Inc. debuts on list of *Fortune* 500 companies for 1992.
- For the second time, *The 100 Best Companies to Work for in America* recognizes Mary Kay Inc., and the Company is one of only 55 to appear in both editions.
- Wholesale sales surpass \$735 million and the Mary Kay independent sales force numbers more than 340,000.
- For the second time, the *Fortune* 500 lists Mary Kay Inc., which moves up 57 positions.
- 1994 Wholesale sales reach \$850 million.
- 1995 Ninth consecutive year of record sales; wholesale sales surpass \$900 million.
- Fortune* lists Mary Kay Inc. among the Most Admired Corporations in America.
- 1996 10th consecutive year of record sales; wholesale sales surpass \$1 billion.

Mary Kay Inc. receives "Corporations That Make a Difference Award" from the International Women's Forum for its leadership initiatives in supporting the advancement of women.

Mary Kay Inc. is one of 20 company profiles in the book, *Forbes Greatest Business Stories of All Time*, and Mary Kay Ash is the only woman profiled in the book.

- 1998 For the third time, Mary Kay Inc. is included in *The 100 Best Companies to Work for in America* published by *Fortune* magazine.

Mary Kay Inc. is one of 14 companies, and one of the most prominently featured, in *Good Company: Caring as Fiercely as You Compete*. The book highlights many of the principles and practices that have resulted in Mary Kay Inc. being named one of *The 100 Best Companies to Work for in America*.

- 1999 Mary Kay Ash is recognized as a Texas Woman of the Century – one of the 100 most influential women in the state.

- 2000 Lifetime Television names Mary Kay Ash the most outstanding woman in business in the 20th century based on year-long, online voting in 1999.

Interactive Week names Mary Kay Inc. as the fourth-largest company in the world for online sales in the retail sector in its annual "Interactive 500" listing.

- 2001 Mary Kay Inc. is awarded the Direct Selling Association's "Industry Innovation Award" for the Mary Kay® Personal Web Site program, which provides each Independent Beauty Consultant with the opportunity to have a Web site of her own. This award recognizes the company that has developed a pioneering approach to an aspect of direct selling.

Beloved founder Mary Kay Ash passes away November 22, Thanksgiving Day.

- 2002 Another year of record sales; wholesale sales reach nearly \$1.6 billion and the Mary Kay independent sales force numbers more than 950,000.

- 2002 Mary Kay Ash is named a 2002 Dallas Business Hall of Fame Laureate and is inducted to The Academy of Achievement of Sales and Marketing Executives.

- 2003 The Mary Kay independent sales force numbers more than 1 million.

Mary Kay Ash named the Greatest Female Entrepreneur in American History in an academic study led by Baylor University.

- 2004 The Mary Kay independent sales force exceeds 1.3 million in more than 30 markets worldwide.

Mary Kay Ash named one of the "25 Most Influential Business Persons of the Past 25 Years" by PBS's *Nightly Business Report* in conjunction with the Wharton School of Business.

Another year of record sales; wholesale sales surpass \$1.8 billion.

- 2005 The Mary Kay independent sales force exceeds 1.6 million and wholesale sales reach \$2 billion.

Mary Kay Inc. was recognized as one of the "2005 North Texas' Best Workplaces for Commuters."

- 2006 Mary Kay Inc. is awarded three prestigious awards by the Direct Selling Association. For the second time, Mary Kay wins the DSA's "Vision for Tomorrow Award" for its community outreach regarding the prevention of violence against women. The Company also earns the "Education for Life Award" for its investment in independent sales force education and the "Success Award" for its 2005 *Fall In Love* advertising campaign.