

GATOSK COMPENSATION PLAN

AT GATOSK, OUR INDEPENDENT DISTRIBUTORS, INDEPENDENT GRAPHIC DESIGNERS, AND EMPLOYEES ARE OUR PRIORITY. WE REWARD THEM WITH OUR REVOLUTIONARY COMPENSATION PLAN. THIS DOCUMENT IS FOR INDEPENDENT DISTRIBUTORS AND GRAPHIC DESIGNERS.



THERE ARE 5 WAYS TO EARN INCOME WITH GATOSK AS AN INDEPENDENT DISTRIBUTOR\*.



01	DIRECT SALES COMMISSIONS3	
02	GRAPHIC DESIGN COMMISSIONS4	
03	GRID COMMISSIONS5	
04	100% MATCHING BONUSES10	О
05	RANK ADVANCEMENT REWARDS1	1
APF	PENDIX13	3

\*Graphic Designers, refer to the graphic design commissions on page 4.

# THE KEY FOUNDATION FOR YOUR HOME BUSINESS IS THROUGH DIRECT SALES.

#### 01

#### DIRECT SALES COMMISSIONS

Selling Gatosk products directly to your customers is key to growing your home business. Internet or face-to-face retail sales allow you to earn direct sales commissions and personal volume (PV). The direct sales commissions is based on 33% of the *price difference* between the wholesale price and the retail price. PV is for the Rank Advancements (page 9 for details) to earn even more income. By purchasing Gatosk products at a wholesale price for your own use or selling them at a retail price earns you PV.

Example: Jill subscribes to Gatosk's \$5/month distributor fee to entitle as an independent distributor. Jill orders a customized long sleeve shirt at a distributor discount of \$25 (i.e. a retail price of \$27) and a yoga pant with a distributor discount of \$28 (i.e. retail price at \$30). She earns 53 PV. Jill then tells her friend, Bob, about wonderful apparel items and passes on her replicated gatosk.com URL. Bob is convinced and buys a customized male short sleeve T-shirt at a retail price of \$27. Jill earns a direct sales commission of \$2 (see Figure 1) and 27 PV through the sales she made with Bob. Jill now has a total of 80 PV for that month.

# Direct Sales Commission Garment = \$9 Print = \$7 Shipping = \$5 Wholesale price = \$21 Gatosk retail price = \$27 Profit margin = \$6 33% Direct Sale Commission For illustration purpose only

**Figure 1.** 33% of the retail sale profit margin (the price difference between wholesale and retail prices) becomes a direct sale commission (green box) for the distributor who made the sale.

#### TERMINOLOGY

**Direct sales:** apparel (retail) sales to your customers. The direct sales may be by your own purchase and/or by selling to your customers. Often the terms, direct sales and personal sales, are used interchangeably. Personal sales result in earning direct sales commissions and Grid commissions (Figures 1 and 4).

Retail Sales Profit Margin (RSPM): RSPM is the difference between the wholesale price and the retail price of an apparel item sold by an independent distributor to a customer.

**Service package sales:** service packages are monthly subscriptions to store credits, advertising credits, and advertising tools. A sale of one of the service packages is called a service package sale. Service package sales result in earning Grid commissions (Figure 5).

**Personal Volume (PV):** the sum of all volume points (1 point = \$1) accumulated from all personal sales made by a distributor including personal orders by that distributor. Gatosk sales include apparel stales and service package sales.

**Customers:** people who shop products at Gatosk without joining as an independent distributor.

**Distributor fee:** The distributor fee of \$5 per month is for the replicated websites and marketing suite of the independent distributor. Independent distributors qualify all ways to earn income with Gatosk and the privilege to purchase Gatosk products at wholesale prices. The distributor fee is to cover maintenance and operating costs of independent distributors' accounts.

Wholesale price: the wholesale price is a price cheaper than the retail price. Customers purchase Gatosk products at the retail prices.

## GRAPHIC DESIGNERS LOVE GATOSK BECAUSE WE DO ALL THE HEAVY LIFTING OF MAKING SALES OFF THEIR CREATIVE ARTWORK.

#### 02

#### GRAPHIC DESIGN COMMISSIONS

Got your own digital artwork or logos? No? Not a problem. There are five ways to earn commissions—graphic design commissions is just one of them.

Yes? Wonderful. You may monetize your designs if these are your own work or of someone else you have legal permissions to use. Regardless of your graphic design skills, your creativity is what counts the most and we have great tools for you to use. The more likes you get on your artwork, the greater chance customers buy it.

The beauty of Gatosk is the flexibility in your role with Gatosk whether as just a graphic designer, just a customer, a graphic designer and a distributor, a graphic designer and a customer, or all together.

Anyone with their own artwork earn money (monetize) every time customers buy apparel items with the their artwork on them. The graphic design sale becomes a commission of the 33% of the profit margin every time (Figure 2).

#### **Graphic Design Commissions**



**Figure 2.** 33% of the retail sale profit margin (the difference between the wholesale and retail prices) becomes a graphic design commission (green box) for the designer who made the artwork of that sale.

#### **TERMINOLOGY**

**Legal permission:** an official permission granted to a person to copy, distribute, modify, and/or monetize the graphic design. The permission must be given by the person who originally created the graphic artwork.

Monetize: in terms of Gatosk, monetize is to convert your artwork into cash by letting us to sell the artwork on our websites.

# 1.5x GRID™ IS A REVOLUTIONARY FORCED MATRIX GEARED TOWARDS TEAMWORK AND EXCITEMENT.

# 4.5x Grid™

#### 03

#### GRID COMMISSIONS

Been in network marketing before? There are a variety of compensation plans used by a wide range of types of network marketing businesses. 2x and 3x forced matrices have been widely used by both successful and unsuccessful companies, for many years partly because they are easy to understand. One of the main advantages of the forced matrix over unilevel and other compensation plans is once a front line is filled, one's focus shifts towards assisting her/his downline to make sales and recruit their front line distributors.

We believe there is a connection between forced matrix dimensions (i.e. width and depth) and teamwork. The narrower and deeper the matrix, the fewer members at the front line which fosters a deeper cooperation among distributors and/or customers in the lineage. Narrower matrices promote motivation and greater exchange of knowledge among members within.

At Gatosk, we are making the forced matrix more narrower. Instead of a 2x, we devised a framework for what we call 1.5x Grid™.

Instead of two positions on each front line seen in 2x matrices, the 1.5x Grid has one "whole" and one "half position" on each front line. Anytime a signup (distributor or customer) is placed onto a half position, the software splits that account into two half positions resulting in two genealogies, each weighing half of the total commissions (store credits only for customers) below. The software places each half position onto possibly a different lineage.

Here's how a 1.5x Grid works. Let's say each office chair in the Figure 3 below represents a whole position in the 1.5x Grid. The "bisected" chair represent a half position.

The whole position is placed onto the left of the front line (first level). The half position is placed onto the right. All positions are fixed. These chairs do not move—their wheels (casters) are locked on brakes permanently.

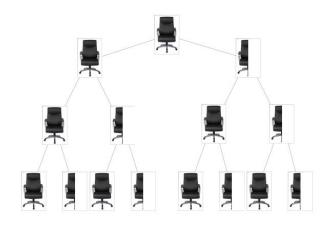


Figure 3. Office chairs as examples of whole and half positions in the 1.5x Grid<sup>TM</sup>. A office chair represents a whole position. Half (bisected) of an office chair represents a half position. A member occupying a whole position may qualify up to 100% Grid commissions in the downline. A member occupying two half positions may qualify up to 50% Grid commissions from each of the half positions which amount up to 100% total Grid commissions. There is no difference in the amount that a member with a whole position or a member with half positions can earn.

#### TERMINOLOGY

**1.5x Grid<sup>TM</sup>:** a revolutionary patent pending forced matrix that uses a similar underlying "forced" algorithm yet different in number and weight of positions per level in the downline genealogy. Grid is a term used instead of matrix because this compensatory structure has a network of lines that cross each other unlike seen in other forced matrices (not shown in the Figure 3).

### PERCENTAGES OF APPAREL SALES AND SERVICE PACKAGE SALES MADE BY YOU OR YOUR TEAM BECOME YOUR GRID COMMISSIONS.

Our 1.5x Grid<sup>TM</sup> accumulates one's Grid commissions based on apparel sales (Figure 4) and service package sales (Figure 5) made by him or her or by his or her team.



Figure 4. 33% of the retail sale profit margins (the difference between the wholesale and retail prices) made by you or your team becomes a part of your Grid commissions (green box).

**Figure 5.** 60% of the service package sales made by you or your team also becomes a part of your **Grid** commissions (green box; see subsequent pages for further details)



#### **TERMINOLOGY**

Grid commissions: are money from the RSPM and the service package sales that are distributed evenly into the 15-level 1.5x Grid.

**Retail Sales Profit Margin (RSPM):** RSPM is the difference between the wholesale price and the retail price of an apparel item sold by an independent distributor to a customer.

**Service package:** a monthly subscription to store credits and advertising credits that do not expire. A service package also includes advertising tools and other perks. Gatosk offers four service packages: basic package (\$5/mo.), starter package (\$10/mo.), premium package (\$50/mo.), and pro package (\$100/mo.). 60% of the revenue from the service packages goes to the 1.5x Grid as part of the Grid commissions.

#### OUR 1.5x GRID™ IS 15 LEVELS DEEP.

Q	Level	# of Members	Service Package	60% of the Service Package Divided Into 15 Levels	4% Per Level in USD	Value
O D	1	1.5	\$10/mo.	4%	0.40	\$0.60
0000	2	3	\$10/mo.	4%	0.40	\$1.20
91919191	3	6	\$10/mo.	4%	0.40	\$2.40
	4	12	\$10/mo.	4%	0.40	\$4.80
	5	24	\$10/mo.	4%	0.40	\$9.60
	6	48	\$10/mo.	4%	0.40	\$19.20
	7	96	\$10/mo.	4%	0.40	\$38.00
	8	192	\$10/mo.	4%	0.40	\$76.80
	9	384	\$10/mo.	4%	0.40	\$153.60
	10	768	\$10/mo.	4%	0.40	\$307.20
	11	1536	\$10/mo.	4%	0.40	\$614.40
	12	3072	\$10/mo.	4%	0.40	\$1,228.80
	13	6144	\$10/mo.	4%	0.40	\$2,457.60
	14	12288	\$10/mo.	4%	0.40	\$4,915.20
	15	24576	\$10/mo.	4%	0.40	\$9,830.40
		Total Capacity: 49152		Total Percentage: 60%		Value: \$19659.80

**Table 1.** The 1.5x Grid<sup>TM</sup> is 15 levels deep. There are 1.5 positions at the level one, 3 equivalent positions at level two, 6 equivalent positions at level three, and so on. The total capacity in a 1.5x15 Grid is 49,152 positions. The calculations in the columns 4 through 6 are based on the starter package (\$10/mo.; column 3). Note that there are other service packages not shown in this table. Also, note that independent distributors only earn commissions from the odd levels (see page 9 for details) unless they have 100% matching bonuses to cover the even levels (page 10).

# PERCENTAGE OF YOUR PERSONAL SALES INCLUDING DIRECT SALES AND PRODUCTS YOU PURCHASE FOR YOUR OWN USE GO TO THE GRID.

Percentages of revenue from both service package (previous page) sales and direct sales are distributed evenly across the 1.5x Grid—i.e. 4% of the service package sales in each level (Table 1 on the previous page) and 2.2% of the direct sales (i.e. RPSM) in each level (Table 2 below).

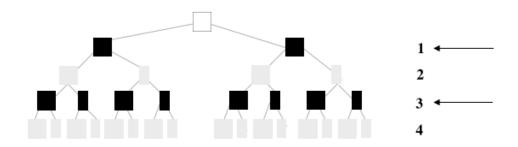
2	Level	33% of \$6 Retail Sale Profit Margin Divided Into 15 Levels	2.2% of \$6 in USD
Q Þ	1	2.2%	0.13
O A O A	2	2.2%	0.13
91919191	3	2.2%	0.13
	4	2.2%	0.13
	5	2.2%	0.13
	6	2.2%	0.13
	7	2.2%	0.13
	8	2.2%	0.13
	9	2.2%	0.13
	10	2.2%	0.13
	11	2.2%	0.13
	12	2.2%	0.13
	13	2.2%	0.13
	14	2.2%	0.13
	15	2.2%	0.13

**Table 2.** Unlike many other network companies, the 1.5x Grid<sup>™</sup> includes both your *personal* sales and *direct sales by your team*. Since 33% of the retail sales profit margin (RSPM) goes to the Grid, it is divided by 15 levels evenly into 2.2% each level. For instance, 2.2% of \$6 RSPM translates into 13 cents per level (column 4). Note that independent distributors only earn commissions from the odd levels (see next page for details) unless they have 100% matching bonuses to cover the even levels (page 10).

DISTRIBUTORS EARN GRID COMMISSIONS THROUGH THE ODD LEVELS. THE EVEN LEVELS ARE FOR THE 100% MATCHING BONUSES. THE ODD-LEVEL BASED GRID COMMISSIONS IS WHAT MAKES 100% MATCHING BONUS POSSIBLE.

Independent distributors earn commissions biweekly on all members (i.e. distributors and customers) on the odd levels in your Grid (Figure 6).

They earn commissionable Grid commissions anytime they make direct sales or their downline members at *odd levels* (1) make direct sales, (2) purchase apparel items, or (3) subscribe to one of the affordable monthly service packages (Table 3).



**Figure 6.** Gatosk independent distributors earn Grid commissions from those that fall on odd levels. There's also 100% matching bonuses and many other ways to earn income.

You get paid on levels 1, 3, 5, 7, 9, 11, 13, & 15

Level	# of members	Earnings
1	1.5	\$0.60
3	6	\$2.40
5	24	\$9.60
7	96	\$38.0
9	384	\$153.60
11	1536	\$614.40
13	6144	\$2,457.6
15	24576	\$9,830.40
	TOTAL CAPACITY: 32,767.5	TOTAL: <b>\$13,107.00</b>

**Table 3**. 1.5x Grid is commissionable at odd levels. The first column illustrate odd levels from level 1 to level 15. The second column shows number of members in each odd level. The third column shows earnings based on the \$10/month (starter package) subscription. There are also \$5, \$50, & \$100/month subscriptions and retail sale profit margins that go to the 1.5x Grid as part of the Grid commissions.

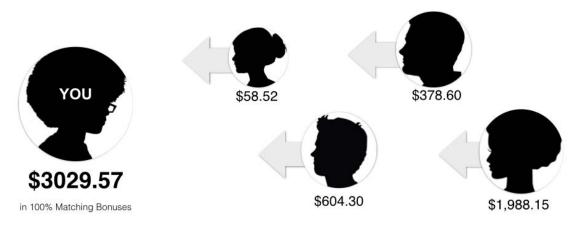
#### EVERYBODY LOVES THE 100% MATCHING BONUS.

#### 04

#### 100% MATCHING BONUSES

Yes, you earn 100% of what your direct referrals earn from their 1.5x15 Grid! You match 100% of your personal referrals' 1.5x15 Grid earnings. There is no limit in number of personal referrals. The depth in the Grid is practically unlimited when matching your referrals in there.

You may wonder where the money comes from for the 100% matching bonus. It comes from the even levels in the 1.5x15 Grid! Distributors earn commissions off the odd levels only. Although the 1.5x15 Grid has a limited width and depth, the 100% matching bonus makes it unlimited in the width and depth! Unlimited income. The 100% matching bonus makes the 1.5x15 Grid even more attractive and motivates distributors a lot (see Appendix for further details about the 1.5x Grid Compensation and Matching Bonuses).



**Figure 7.** The 100% matching bonus is sweet. It makes the seemingly limited 1.5x15 Grid unlimited in terms of width and depth.

100% matching bonus: a sponsor (a head distributor) earns 100% of his/her personally sponsored referrals' Grid commissions.

**Limited depth and width:** the nature of a forced matrix is that it has a limited depth and width—e.g. 2x10 means two positions at front line and a total of 10 levels below; 3x7 matrix means three positions at a front line and a total of 7 levels below. Our 1.5x15 Grid has one and half positions at the front line and a total of 15 levels below.

**Unlimited depth and width:** unlike the forced matrix compensation plan, the uni-level compensation plan normally has unlimited depth and width. However our 1.5x15 Grid is rendered unlimited, in terms of depth and width, by the 100% matching bonuses.

#### RANK ADVANCEMENT REWARDS.

#### 05

#### RANK ADVANCEMENT REWARDS

If you could succeed, how big would you dream? This is just the beginning. As you build your Gatosk home business, you are drawing your storybook, setting the example for your team and sharing one of our greatest products: Opportunity. We are in the business of working at home. We are enthusiastic about rewarding great work. Without you we could not do what we do.

There are five qualification levels (ranks) as a Gatosk independent distributor to move up and achieve greater rewards. These five ranks are: (1) Distributor; (2) Consultant; (3) Regional Consultant; (4) Senior Consultant; and (5) Executive Consultant.

Distributor Qualification: \$5/mo. distributor fee and 0 PV.

Distributor gets: 50% of the commissionable income; 50% of the commissionable income converts into store credits; distributor email support.

**Consultant Qualification**: 5 PV, passed compliance course, and \$5/mo. distributor fee. **Consultant gets**: 90% of the commissionable income; 10% of the commissionable income converts into store credits; distributor email support.

**Regional Consultant (RC) Qualification**: 55 PV, Gatosk University courses, and \$5/mo. distributor fee. RC gets: 95% of the commissionable income; 5% of the commissionable income converts into store credits; distributor live chat support.

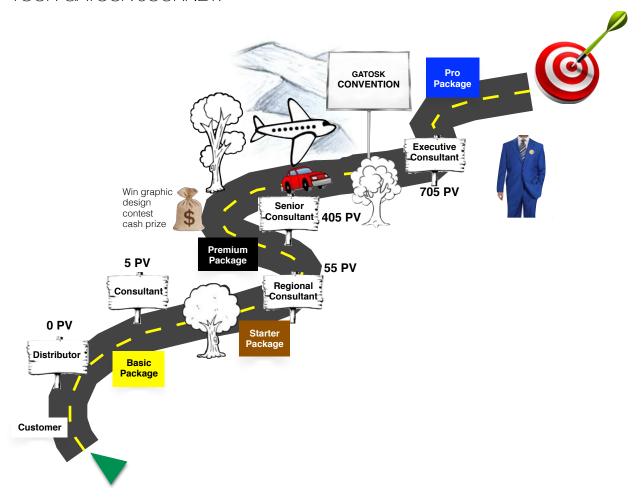
**Senior Consultant (SC) Qualification**: 405 PV and \$5/mo. distributor fee. SC gets: 100% commissionable income; \$10 in store credits every month, SC silver pin; distributor live chat and phone support.

**Executive Consultant (EC) Qualification**: 705 PV and sponsor six SCs. Distributor fee waived. EC gets: 100% commissionable income, \$100 cash bonus every month, \$25 in store credit every month; distributor fee waiver; round trip air ticket to annual conferences; EC gold pin; distributor live chat and phone support.

Example: Jane paid \$5/month distributor fee to become a Distributor. Jane checked her genealogy in her back office and found out that there were five members in the genealogy already due to spillover by her sponsor Jill's efforts. Jane then checked her money balance (MB) and found that she has a balance of \$1.80 due to the fact that she earned Grid commissions. She could have earned \$3.60 however her rank is Distributor therefore she was qualified only 50% of her commissionable income. When she checked her Store Credit balance, she found a balance of \$1.80 as well!

Example 2: David is a seasoned Gatosk distributor that he earned a rank of Senior Consultant (SC) during the month of June. He has a 1.5x Grid downline of over 500 members and earns about \$375 a month at that point. David has already taken the compliance course and several courses at the online Gatosk University and earns an average of 800 PV a month through sales he made with his personally sponsored customers and distributors. His goal is to become an Executive Consultant (EC). He has 800 PV but why isn't he an EC? Because he is sponsoring five SCs and needs one more SC to qualify the rank of EC. He is now working on his 6th strongest distributor who is a Regional Consultant! We are rooting for David!

#### YOUR GATOSK JOURNEY.



#### CLOSING REMARKS

The five-way compensation plan including the pat pending 1.5x Grid is designed for everyone including graphic designers and distributors to enjoy the experience of monetizing, networking, and enjoy the products Gatosk has to offer. There is no pressure to buy expensive products or, even worse, keep up with an autoship or product refills. Customers, graphic designers, and distributors—all of them—get to benefit from the incredible 1.5x15 Grid through store credits and other commissionable income. Inactive customers or distributors do not affect the 1.5x Grid since this forced matrix is compressible.

#### **TERMINOLOGY**

**Commissionable Income:** earnings from any of the five ways to earn.

**Personal Volume (PV):** the sum of all volume points (1 point = \$1) accumulated from all personal sales made by a distributor including personal orders by that distributor.

**Distributor:** The rank, Distributor, is a Gatosk member who is legally an "independent distributor" of Gatosk. Other ranks (Consultant, RC, SC, and EC) are also independent distributors. Independent distributors do not formally represent the company, Gatosk Operating Company, LLC.

**Consultant:** is a higher rank over Distributor. Consultant is an independent distributor who passed the compliance course offered by Gatosk and earns at least 5 PV a month.

#### **APPENDIX**

#### Income Disclosure Statement

Gatosk designed its compensation plan to reward Distributors for: (1) successfully making personal sales of Gatosk products (apparel items) and services (service packages and advertising spaces); (2) successfully building sales organization by referring, training, and motivating other team members to do the same.

Since Gatosk is new, we currently do not have data to show average incomes for each rank within Gatosk. According to DSA, the median annual income for network marketers is \$2,400 (Peterecca, 2009).

There are no guarantees regarding income or whether you will succeed in Gatosk. The success or failure of each Distributor (Independent Consultant) in Gatosk, like any other business, depends on the Distributor's own skill, dedication, personal effort, and leadership qualities.

#### 1.5x Grid Compensation & Matching Bonuses

How much could you possibly earn? Below is extra information for you to get an idea of how much you could earn. Keep in mind that projected incomes are only estimates of what you may earn after the Grid Launch based on the total of the auto-renewable subscriptions by the members on your team.

#### If without referrals... If with 2 referrals... Basic W/ 2 REFERRALS Basic EARN up to Package Package \$6,500 a Month EARN up to with the 1.5x Grid \$10,000 a Month Filled \$5/mo. \$5/mo. with the 1.5x Grid Filled Starter W/ 2 REFERRALS Starter EARN up to Package Package \$13,000 a Month EARN up to with the 1.5x Grid \$20,000 a Month Filled \$10/mo. \$10/mo. with the 1.5x Grid Filled Premium W/ 2 REFERRALS Premium EARN up to Package Package \$65,000 a Month EARN up to with the 1.5x Grid \$100,000 a Month Filled \$50/mo. \$50/mo. with the 1.5x Grid Filled Pro W/ 2 REFERRALS Pro EARN up to Package Package \$130,000 a Month EARN up to with the 1.5x Grid \$200,000 a Month Filled \$100/mo. \$100/mo. with the 1.5x Grid

Filled

You get paid on levels 1, 3, 5, 7, 9, 11, 13, & 15.

If all members subscribe to:	Basic Package	\$5/mo.	
Level	# of members	Earnings	
1	1.5	\$0.3	
3	6	\$1.20	
5	24	\$4.80	
7	96	\$19.00	
9	384	\$76.80	
11	1536	\$307.20	
13	6144	\$1,228.80	
15	24576	\$4915.20	
	TOTAL CAPACITY: <b>49,152</b>	TOTAL: <b>\$6,553.30</b>	
	You earn a total of up to \$6,500 a month		

If all members subscribe to:	Starter Package	\$10/mo.	
Level	# of members	Earnings	
1	1.5	\$0.60	
3	6	\$2.40	
5	24	\$9.60	
7	96	\$38.0	
9	384	\$153.60	
11	1536	\$614.40	
13	6144	\$2,457.6	
15	24576	\$9,830.40	
	TOTAL CAPACITY: <b>49,152</b>	TOTAL: <b>\$13,106.60</b>	
	You earn a total of up to\$13,000 a month		

If all members subscribe to:	Premium Package	\$50/mo.	
Level	# of members	Earnings	
1	1.5	\$3	
3	6	\$12	
5	24	\$48	
7	96	\$190	
9	384	\$768	
11	1536	\$3,072	
13	6144	\$12,288	
15	24576	\$49,152	
	TOTAL CAPACITY: <b>49,152</b>	TOTAL: <b>\$65,533</b>	
	You earn a total of up to \$65,000 a month		

If all members subscribe to:	Pro Package	\$100/mo	
Level	# of members	Earnings	
1	1.5	\$6	
3	6	\$24	
5	24	\$96	
7	96	\$380	
9	384	\$1,536	
11	1536	\$6,144	
13	6144	\$24,576	
15	24576	\$98,304	
	TOTAL CAPACITY: <b>49,152</b>	TOTAL: <b>\$131,066</b>	
	You earn a total of up to\$130,000 a month		

The projected incomes are only estimates. The total capacity of the 1.5x Grid is 49,152 spots.

Also, you match 100% of your personal referrals' 1.5x Grid earnings. These Matching Bonuses basically render the 1.5x Grid as having an unlimited width and unlimited depth. There is no limit number of personal referrals you can make in the 1.5x Grid.

#### Where does the money from the service packages go?

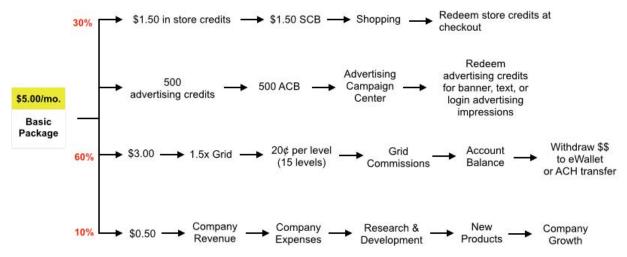
By subscribing to one of the service packages, customers are purchasing store credits and advertising credits for their shopping or advertising needs.

60% (4% per level x 15 levels = 60%) of the subscription goes to the 1.5x15 Grid.

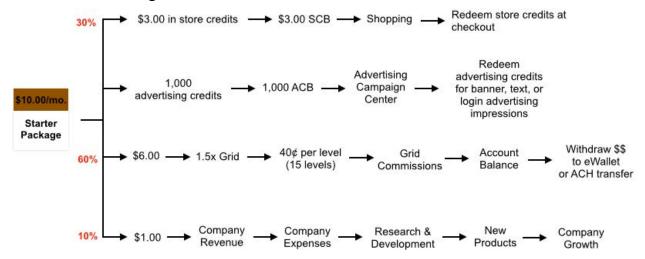
30% of the subscription goes to the store credit balance. The store credits are used for purchasing POD products or to be converted into advertising credits.

10% of the subscription goes to the company as part of their revenue.

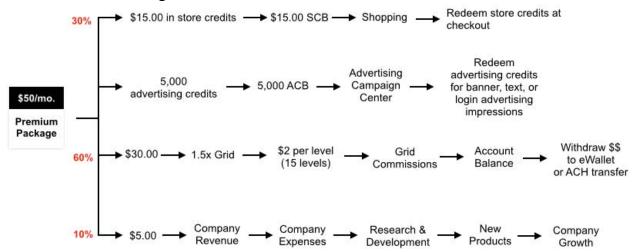
#### \$5 Basic Package Breakout Structure



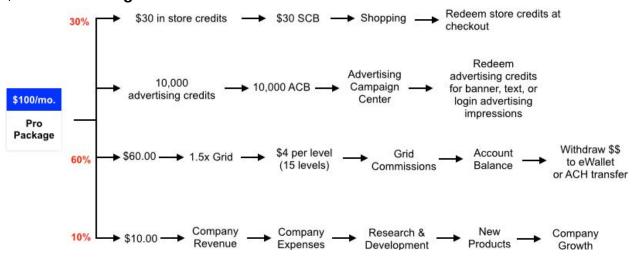
#### \$10 Starter Package Breakout Structure



#### \$50 Premium Package Breakout Structure



#### \$100 Pro Package Breakout Structure



#### NOTES

This Document contains information about patent pending compensation technology

Merritt, RC. 2014. Patent Pending Application No. 62072127

Courtesy of Raymond C. Merritt, Jr.

Acknowledgement goes to Joshua J. Schultz.

#### REFERENCE

Peterecca, Laura. September 14 2009. What kind of business do you want to start? USA Today. pp 4B.



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