

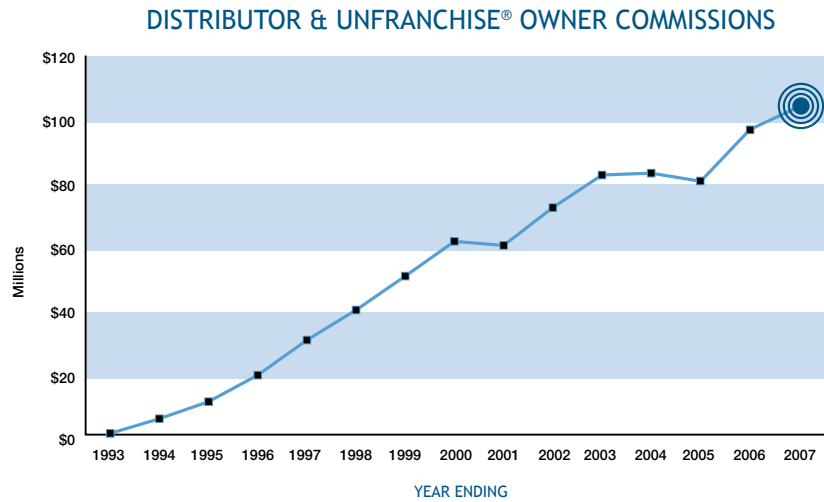
# marketamerica®

Annual Report 2008

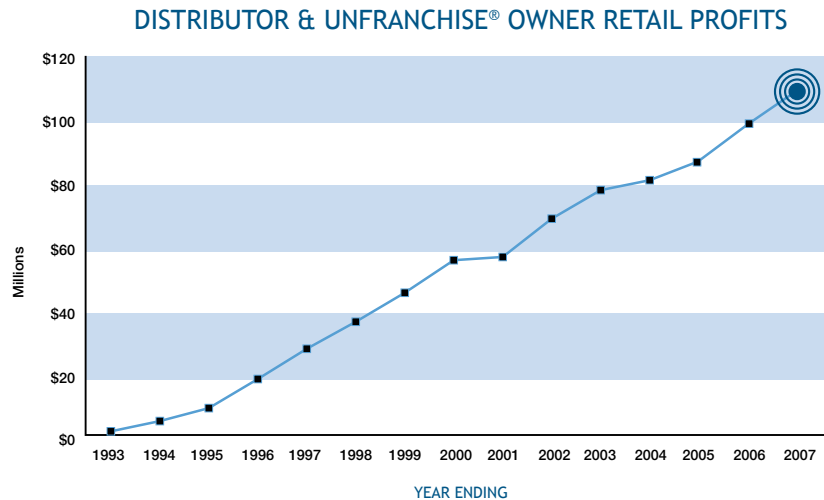


# Worldwide Commissions and Retail Profits

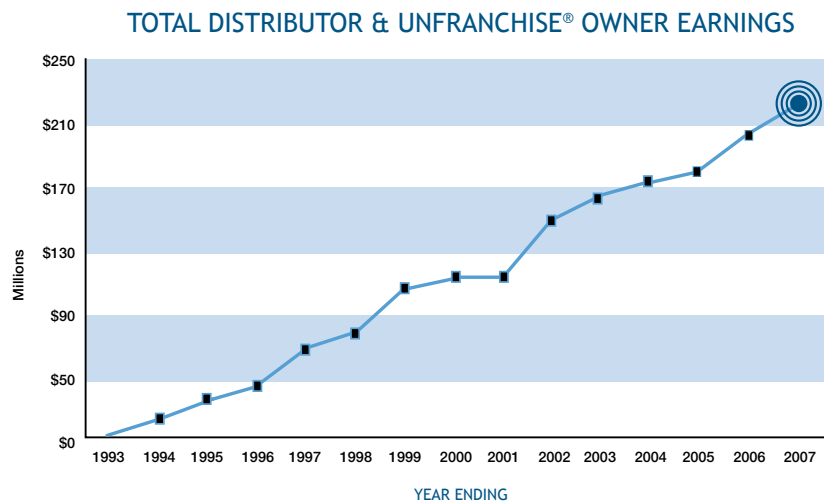
In 2007, Distributors and UnFranchise Owners were paid \$105,477,684 in commissions. Since the company's inception in 1992 to the end of 2008's first quarter, the total amount of commissions paid was over \$824 million.



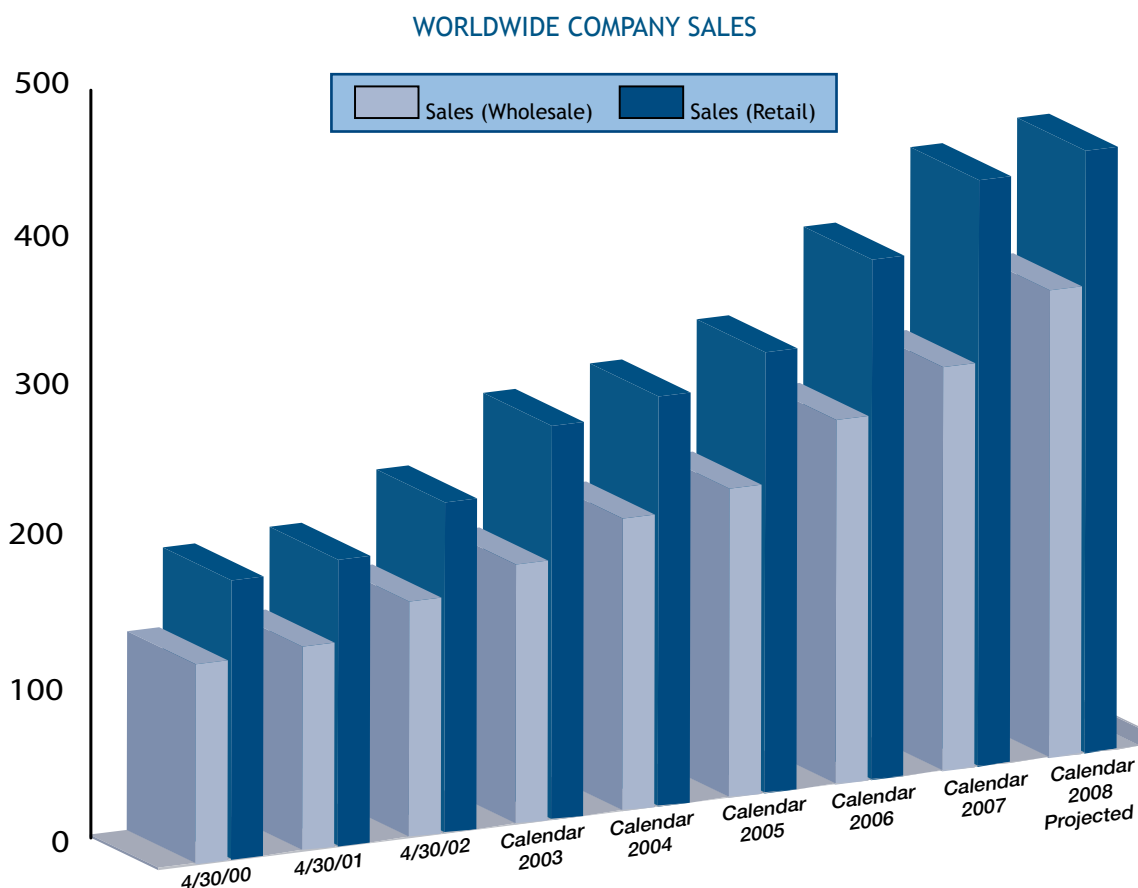
In 2007, Distributors and UnFranchise Owners earned an estimated \$110,106,477 in gross retail profits. Since 1992, the total amount of UnFranchise Owner retail profits is over \$800 million.



Since 1992, Distributors and UnFranchise Owners have earned over \$1.6 billion from the UnFranchise® System based on commissions and gross retail profits.



# Worldwide Sales Growth



## MARKET AMERICA WORLDWIDE, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2007 <u>Audited</u>	Year Ended December 31, 2006 <u>Audited</u>	Year Ended December 31, 2005 <u>Audited</u>
Net Sales	\$275,266,193	\$249,210,874	\$210,514,535
Cost of Goods Sold	<u>83,261,396</u>	<u>71,077,490</u>	<u>61,650,235</u>
Gross Profit	192,004,797	178,133,384	148,864,300
Commission Expense	105,477,684	96,193,478	79,466,377
General & Administrative Expenses	<u>46,384,945</u>	<u>46,305,791</u>	<u>36,064,068</u>
Income from Operations	40,142,168	35,634,115	33,333,855
Other Income (Expense)	<u>2,376,231</u>	<u>2,701,355</u>	<u>2,501,714</u>
Income Before Taxes	42,518,399	38,335,470	35,835,569
Total Income Taxes	<u>4,826,690</u>	<u>5,486,542</u>	<u>708,049</u>
Net Income	<b><u>\$37,691,709</u></b>	<b><u>\$32,848,928</u></b>	<b><u>\$35,127,520</u></b>

# Table Of Contents

17  
INDEPENDENT AUDITORS' REPORT

## CONSOLIDATED FINANCIAL STATEMENTS

18  
Consolidated Balance Sheets

20  
Consolidated Statements of Income

21  
Consolidated Statements of  
Changes in Stockholders' Equity

22  
Consolidated Statements  
of Cash Flows

24  
Notes to Consolidated Financial  
Statements

To the Board of Directors  
Market America Worldwide, Inc. and Affiliates  
Greensboro, North Carolina

We have audited the accompanying consolidated balance sheets of Market America Worldwide, Inc. and Affiliates as of December 31, 2007 and 2006 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Market Taiwan, Inc., a wholly-owned subsidiary, which statements reflect total assets of \$31,652,361 and \$32,190,591 as of December 31, 2007 and 2006, respectively and total revenues of \$59,538,575 and \$52,130,491 for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Market Taiwan, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Market America Worldwide, Inc. and Affiliates as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



May 5, 2008  
Greensboro, North Carolina

Market America Worldwide, Inc. And Affiliates  
**Consolidated Balance Sheets**  
*December 31, 2007 And 2006*

ASSETS	2007	2006
CURRENT ASSETS		
Cash and cash equivalents (Note 1)	\$67,924,596	\$78,126,615
Interest receivable	28,270	36,776
Advances to officers, directors and employees (Note 6)	372,479	150,834
Inventories (Note 1)	10,665,631	13,512,836
Other current assets (Note 8)	<u>1,846,021</u>	<u>1,507,236</u>
 TOTAL CURRENT ASSETS	 <u>80,836,997</u>	 <u>93,334,297</u>
 PROPERTY AND EQUIPMENT (Notes 1 and 6)		
Buildings	18,856,442	14,804,444
Furniture and equipment	14,206,360	12,703,631
Yachts	22,112,293	22,137,548
Software	1,570,917	987,804
Leasehold improvements (Note 14)	<u>5,493,249</u>	<u>3,601,053</u>
	62,239,261	54,234,480
Less accumulated depreciation	<u>19,799,668</u>	<u>15,664,498</u>
	<u>42,439,593</u>	<u>38,569,982</u>
 OTHER ASSETS		
Other noncurrent assets (Note 6 and 8)	<u>4,499,938</u>	<u>2,079,569</u>
	<u>4,499,938</u>	<u>2,079,569</u>
	 <b><u>\$127,776,528</u></b>	 <b><u>\$133,983,848</u></b>

*See accompanying notes.*

Market America Worldwide, Inc. And Affiliates  
**Consolidated Balance Sheets**  
*December 31, 2007 And 2006*

*CONTINUED*

LIABILITIES AND STOCKHOLDERS' EQUITY	2007	2006
CURRENT LIABILITIES		
Current portion of long-term debt (Note 2)	\$170,873	\$180,833
Accounts payable - trade	2,780,259	2,368,482
Commissions payable	4,174,802	4,062,193
Sales tax payable	945,243	1,042,275
Income tax payable	2,336,847	4,971,756
Other accrued liabilities (Note 3 and 12)	1,495,836	5,923,112
Unearned revenue (Note 4)	<u>6,309,764</u>	<u>4,697,435</u>
TOTAL CURRENT LIABILITIES	<u>18,213,624</u>	<u>23,246,086</u>
LONG-TERM DEBT (Note 2)	<u>1,287,952</u>	<u>1,452,216</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 7, 9, and 14)		
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value; 1,000,000 shares authorized; 15,710 shares issued and outstanding at December 31, 2007 and 2006	157	157
Additional paid-in capital	69,566,056	69,566,056
Retained earnings	39,667,546	40,477,192
Noncontrolling interest in affiliate (Note 1)	(1,283,326)	(842,403)
Accumulated other comprehensive income (Note 1):		
Foreign currency translation adjustments	<u>324,519</u>	<u>84,544</u>
	<u>108,274,952</u>	<u>109,285,546</u>
	<u><b>\$127,776,528</b></u>	<u><b>\$133,983,848</b></u>

*See accompanying notes.*

Market America Worldwide, Inc. And Affiliates  
**Consolidated Statements Of Income**  
*December 31, 2007 And 2006*

	2007	2006
Sales (Notes 1 and 11)	\$275,266,193	\$249,210,874
Cost of Sales	<u>83,261,396</u>	<u>71,077,490</u>
 GROSS PROFIT	 <u>192,004,797</u>	 <u>178,133,384</u>
 Selling Expenses		
Commissions	<u>105,477,684</u>	<u>96,193,478</u>
 General and Administrative Expenses		
Salaries	17,814,528	22,176,221
Consulting	735,268	314,374
Rents (Notes 6 and 7)	2,358,862	2,278,131
Depreciation and amortization	4,935,197	4,703,508
Other expenses (Note 1)	<u>20,541,090</u>	<u>16,833,557</u>
	<u>46,384,945</u>	<u>46,305,791</u>
 INCOME FROM OPERATIONS	 <u>40,142,168</u>	 <u>35,634,115</u>
 Other Income (Expense)		
Interest income	2,097,056	2,099,025
Interest expense	(138,775)	(243,832)
Miscellaneous income	<u>417,950</u>	<u>846,162</u>
	<u>2,376,231</u>	<u>2,701,355</u>
 INCOME BEFORE TAXES	 42,518,399	 38,335,470
 Income Taxes (Note 1 and 8)	 <u>4,826,690</u>	 <u>5,486,542</u>
 TOTAL INCOME AFTER TAXES	 <u><b>\$37,691,709</b></u>	 <u><b>\$32,848,928</b></u>

*See accompanying notes.*

Market America Worldwide, Inc. And Affiliates

# Consolidated Statements Of Changes In Stockholders' Equity

Years Ended December 31, 2007 And 2006

	Common Stock		Additional	Retained	Noncontrolling	Accumulated	Total
	Shares	Amount	Paid-In Capital	Earnings	Interest in Affiliate	Other Comprehensive Income	
BALANCE, January 1, 2006	15,710	\$157	\$69,566,056	\$31,121,191	\$(466,619)	\$27,442	\$100,248,227
Distributions	-	-	-	(23,868,711)	-	-	(23,868,711)
COMPREHENSIVE INCOME							
Net income	-	-	-	33,224,712	(375,784)	-	32,848,928
Other comprehensive income:							
Foreign currency translation adjustments	-	-	-	-	-	57,102	57,102
TOTAL COMPREHENSIVE INCOME							<u>32,906,030</u>
BALANCE, December 31, 2006	15,710	157	69,566,056	40,477,192	(842,403)	84,544	109,285,546
Distributions	-	-	-	(38,942,278)	-	-	(38,942,278)
COMPREHENSIVE INCOME							
Net income	-	-	-	38,132,632	(440,923)	-	37,691,709
Other comprehensive income:							
Foreign currency translation adjustments	-	-	-	-	-	239,975	239,975
TOTAL COMPREHENSIVE INCOME							<u>37,931,684</u>
<b>BALANCE, December 31, 2007</b>	<b><u>15,710</u></b>	<b><u>\$157</u></b>	<b><u>\$69,566,056</u></b>	<b><u>\$39,667,546</u></b>	<b><u>\$(1,283,326)</u></b>	<b><u>\$324,519</u></b>	<b><u>\$108,274,952</u></b>

See accompanying notes.

Market America Worldwide, Inc. And Affiliates  
**Consolidated Statements Of Cash Flow**  
*Years Ended December 31, 2007 And 2006*

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$37,691,709	\$32,848,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,935,197	4,703,508
Gain on disposals of property and equipment	(160,408)	-
(Increase) decrease in:		
Interest receivable	8,506	(8,111)
Inventories	2,847,205	(2,801,155)
Other current assets	(338,785)	(171,592)
Other assets	(2,019)	23,494
Increase (decrease) in:		
Accounts payable - trade	411,777	(374,866)
Commissions payable	112,609	831,901
Sales tax payable	(97,032)	153,471
Income taxes payable	(2,634,909)	4,952,109
Other accrued liabilities	(4,427,276)	3,922,710
Unearned revenue	<u>1,612,329</u>	<u>738,781</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>39,958,903</u></b>	<b><u>44,819,178</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(8,308,659)	(1,584,567)
Proceeds from sale of property and equipment	546,864	-
Increase in deposits	(3,294,003)	(859,636)
(Advances to) repayments from officers, directors and employees	<u>(210,093)</u>	<u>174,692</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b><u>(11,265,891)</u></b>	<b><u>(2,269,511)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(186,201)	(170,853)
Issuance of notes payable and long-term debt	-	22,417
Distributions to shareholders	<u>(38,942,278)</u>	<u>(23,868,711)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b><u>(39,128,479)</u></b>	<b><u>(24,017,147)</u></b>

*See accompanying notes.*

Market America Worldwide, Inc. And Affiliates  
**Consolidated Statements Of Cash Flow**  
*Years Ended December 31, 2007 And 2006*

*CONTINUED*

	2007	2006
EFFECT OF EXCHANGE RATE CHANGES	<u>\$233,448</u>	<u>\$54,077</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,202,019)	18,586,597
CASH AND CASH EQUIVALENTS, beginning of year	<u>78,126,615</u>	<u>59,540,018</u>
CASH AND CASH EQUIVALENTS, end of year	<u><b>\$67,924,596</b></u>	<u><b>\$78,126,615</b></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION

Cash paid during the year for:

Interest	\$138,775	\$243,832
Income taxes	\$7,461,599	\$1,325,310

SUPPLEMENTAL DISCLOSURES OF NONCASH  
INVESTING AND FINANCING ACTIVITIES

Transfer of assets from other assets and into property and equipment	\$848,228	\$295,033
---	-----------	-----------

*See accompanying notes.*

Market America Worldwide, Inc. And Affiliates

# Notes To Consolidated Financial Statements

*December 31, 2007 And 2006*

## NOTE 1 • ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Market America Worldwide, Inc. and Affiliates (the Company) is based in Greensboro, North Carolina. The Company markets a large variety of high quality, consumer-oriented and market-driven products through a vast network of independent contractors and through the Company's website - the Internet's ultimate online shopping destination. The principal markets for the Company's products are North America, Australia, Taiwan and Hong Kong. The Company also sponsors conventions and seminars for its distributors. Revenue from ticket sales to the conventions and seminars amounted to approximately 3.7% and 3.4% of total sales for the years ended December 31, 2007 and 2006, respectively.

### Principles of Consolidation

These consolidated financial statements include the accounts of Market America Worldwide, Inc., its wholly-owned subsidiaries, Market America, Inc., Market Australia, Inc., Market Australia Corporate PTY Ltd., Miracle Distribution, Inc., Market Taiwan, Inc., Market America International, Inc., Miracle Manufacturing, Inc., Market Hong Kong Limited, Voitel Telecommunications, Inc. and noncontrolling interest in an affiliate. All significant intercompany transactions and balances are eliminated in consolidation.

Miracle Distribution, Inc. discontinued operations on January 1, 2007 as described further in Note 13.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Included in cash equivalents as of December 31, 2007 and 2006 are money market accounts. The Company maintains its cash in bank deposit accounts which generally exceed federally insured limits. The Company has not experienced any losses in such accounts.

### Inventories

Inventories consist of products ready for sale and are stated at the lower of cost (first-in, first-out method) or market.

### Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Yachts	10 years
Furniture and equipment	5 to 10 years
Software	3 years
Leasehold improvements	Shorter of the lease term or useful life
Buildings	Shorter of the two ground lease terms or 39 years

Maintenance, repairs, and minor renewals are charged to operations as incurred. Additions, improvements, and major renewals are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to operations. In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company periodically reviews long-lived assets when indicators of impairment exist, and if the value of the assets is impaired, an impairment loss would be recognized.

### Revenue Recognition

The Company recognizes sales revenues at the time products are shipped. Sales revenues are collected at or prior to the time of shipment. Revenue from ticket sales to the Company's conventions and seminars is recognized at the time the related events occur. Sales revenues are presented net of any taxes assessed by governmental authorities.

### Income Taxes

The Company has elected S corporation status under Subchapter S of the Internal Revenue Code. Under the election, the income or loss of the Company is required to be reported by the stockholders in their individual income tax returns.

Income from Market Australia Corporate PTY Ltd. (Australian subsidiary), Market Hong Kong Limited (Hong Kong subsidiary) and Market Taiwan, Inc. (Taiwanese subsidiary) are subject to foreign taxes at rates in effect in Australia, Hong Kong and Taiwan, respectively. Income tax expense is provided for the tax effects of transactions reported in the financial statements and consist of tax expense currently payable plus deferred taxes related primarily to differences between the financial statement and tax bases of assets and liabilities. The deferred tax assets represent the future tax return consequences of those differences, which will be taxable when the assets are recovered.

Market America Worldwide, Inc. And Affiliates  
**Notes To Consolidated Financial Statements**  
*December 31, 2007 And 2006*

**CONTINUED**

**Comprehensive Income**

Comprehensive income is comprised of net income and other charges in equity from transactions and other events and circumstances from non-owner sources. Accordingly, it includes all changes in equity during a period except those resulting from investments by stockholders and distributions to stockholders.

**Translation of Foreign Currency Financial Statements**

The financial position and results of operations of the Company's Australian Subsidiaries, Hong Kong Subsidiary and Taiwanese Subsidiary are measured using the foreign Subsidiaries' local currency (Australian dollars, Hong Kong dollars and Taiwanese dollars, respectively) as the functional currency. Assets and liabilities have been translated at the rates of exchange on the balance sheet date. Revenues and expenses of the Subsidiaries have been translated into U.S. dollars at average exchange rates prevailing during the period. The resulting translation gains and losses are not included in determining net income, but are accumulated as a separate component of stockholders' equity. Foreign currency translation adjustments resulted in gains of \$239,975 and \$57,102 for the years ended December 31, 2007 and 2006, respectively.

**Advertising**

The Company expenses advertising costs in the period in which they occur. Advertising expenses were approximately \$2,164,400 and \$511,800 for the years ended December 31, 2007 and 2006, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts reported for 2006 have been reclassified to conform to the 2007 presentation. Such reclassifications had no effect on previously reported operations.

**Variable Interest Entities**

In December 2003, the Financial Accounting Standards Board issued FASB interpretation (FIN) 46R, "Consolidation of Variable Interest Entities," which provides guidance in determining when variable interest entities (VIEs) should be consolidated in the financial statements of the primary beneficiary. The Company is the primary beneficiary of an affiliate owned by Market America's controlling stockholders, which qualifies as a VIE. During 2003, the Company loaned \$4,783,048 to the affiliate for the purchase of real estate in New York City. The loan requires annual repayments of \$350,000, including interest at 3.5%, and is repayable over fifteen years with a balloon payment at the end of the term. The Company leases this property on an as-needed basis for corporate events and functions. All rental income of affiliate is received from the Company. The outstanding balance of the loan was \$4,013,428 and \$4,215,872 at December 31, 2007 and 2006, respectively. The property and equipment of the affiliate are collateral for the loan and had a net book value of \$4,085,841 and \$3,963,547 at December 31, 2007 and 2006, respectively. Total rental income received by the affiliate was \$1,105,002 and \$1,011,675 for the years ended December 31, 2007 and 2006, respectively. As Market America is the primary beneficiary of this relationship, the affiliate was consolidated into the Company in accordance with FIN 46R as of and for the years ended December 31, 2007 and 2006. All related intercompany receivables and payables and interest and rental income and expense have been eliminated from the financial statements at December 31, 2007 and 2006.

**NOTE 2 • LONG-TERM DEBT**

	2007	2006
Note payable in monthly installments of \$11,111, plus interest at LIBOR plus 2.05% (5.60% at December 31, 2007), with remaining balance due in April 2018. Collateralized by deed of trust.	\$ 1,366,667	\$ 1,500,000
Note payable in monthly installments of \$786, including interest at 9.18%, maturing in April 2008 and secured by a vehicle.	2,708	9,325
Note payable in monthly installments of \$959, including interest at 7.50%, maturing in April 2008 and secured by equipment.	3,327	11,552

Market America Worldwide, Inc. And Affiliates  
**Notes To Consolidated Financial Statements**  
*December 31, 2007 And 2006*

*CONTINUED*

**NOTE 2 • LONG-TERM DEBT (continued)**

	<b>2007</b>	<b>2006</b>
Note payable repaid in 2007.	\$ -	\$ 6,226
Note payable in monthly installments of \$2,046, including interest at 8.25%, maturing in July 2010 and secured by a vehicle.	50,154	60,244
Note payable in monthly installments of \$674, including interest at 15.7%, maturing in December 2010 and secured by equipment.	19,524	24,351
Note payable in monthly installments of \$848, including interest at 8.30%, maturing in December 2009 and secured by a vehicle.	16,445	21,351
	1,458,825	1,633,049
Less current portion due within one year	<u>170,873</u>	<u>180,833</u>
	<b><u>\$ 1,287,952</u></b>	<b><u>\$ 1,452,216</u></b>

Future maturities of long-term debt at December 31, 2007 are due as follows:

2008	\$ 170,873
2009	167,942
2010	153,344
2011	133,333
2012	133,333
Thereafter	<u>700,000</u>
	<b><u>\$ 1,458,825</u></b>

**NOTE 3 • OTHER ACCRUED LIABILITIES**

Other accrued liabilities include accrued salaries and bonuses of \$735,984 and \$5,404,187 at December 31, 2007 and 2006, respectively.

**NOTE 4 • UNEARNED REVENUE**

The Company has unearned revenue primarily from two sources. The Company sponsors several conventions per year for its distributors. A portion of the unearned revenue represents cash collected from advance ticket sales for these conventions. The remainder of the unearned revenue primarily represents deposits paid to the Company by distributors for future purchases of products.

**NOTE 5 • EMPLOYEE BENEFITS**

During the year ended April 30, 1999, the Company adopted a 401(k) savings plan to provide retirement benefits for its employees. As allowed under section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary reductions for eligible employees. Employees may contribute from 1% to 15% of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company matches employee contributions up to specified limits. In addition, the plan provides for discretionary contributions as determined by the Board of Directors. Such discretionary contributions to the plan are allocated among eligible

Market America Worldwide, Inc. And Affiliates  
**Notes To Consolidated Financial Statements**  
*December 31, 2007 And 2006*

**CONTINUED**

participants in the proportion of their salaries to the total salaries of all participants. Company contributions to the plan totaled \$131,500 and \$137,500 during the years ended December 31, 2007 and 2006, respectively. No discretionary contributions were made in either period.

For Market Taiwan, Inc. (the "Branch"), the Labor Pension Act (the "LPA") in the Republic of China took effect on July 1, 2005. Employees subject to the Labor Standards Law (the "LSL") in the Republic of China prior to July 1, 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their seniority as of July 1, 2005 retained. Those hired as regular employees on or after July 1, 2005 automatically become subject to the LPA. The pension plan under the LPA is a defined contribution plan and the Branch makes monthly contributions to employees' individual pension accounts at 5% of monthly salary and wages. Such pension costs were \$49,200 and \$49,300 for the years ended December 31, 2007 and 2006, respectively. Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Branch recognized pension costs of \$3,200 for the year ended December 31, 2007 related to this plan.

## **NOTE 6 • RELATED PARTY TRANSACTIONS**

In December 1999, the Company entered into an agreement with a company that is owned by Market America's controlling stockholders, to lease real estate in Miami, Florida for direct sales training and education, as well as other corporate functions. The monthly rent is \$60,000, and the lease has a 20-year term and a renewal option for an additional 20-year term. The Company has paid a \$600,000 non-interest bearing damage deposit as part of this lease, which is included in other noncurrent assets. The amount of rent expense under this agreement aggregated to \$720,000 during each of the years ended December 31, 2007 and 2006. The Company has no guarantees related to this lease.

The Company entered into an agreement with a company that is owned by Market America's controlling stockholders, for a 33-year net ground lease for the site on which the Company has constructed its headquarters and warehouse facility in Greensboro, North Carolina at a cost of \$6,321,012. Required rental payments are \$17,000 per month. The amount of rent expense under this agreement was \$204,000 for each of the years ended December 31, 2007 and 2006. In June 1999, the Company paid \$500,000 to the related company for a Right of First Refusal on this site which provides the Company with the opportunity to purchase the land, should it be offered for sale, before the land is offered for sale to other parties. The amount paid is included in other noncurrent assets and is being amortized on a straight-line basis over the lease term. The unamortized balance will be applied to the purchase price of the land in the event the Company buys it. On March 7, 2003 the Company entered into another agreement with the affiliated company for a 33-year net ground lease for the site adjacent to the site on which the Company has constructed its new headquarters and warehouse facility in Greensboro, North Carolina. Required rental payments are \$13,000 per month. The amount of rent expense under this agreement was \$156,000 for the years ended December 31, 2007 and 2006. The Company has no guarantees related to this lease.

The Company entered into an agreement with a company that is owned by Market America's controlling stockholders, for a ground lease for the site on which the Company purchased a building in Miami, Florida at a cost of \$3,560,400 during June 2001. The monthly rent on the land lease is \$15,500, and the lease is renewable annually for each of the next thirty-two (32) years. The Company expects to exercise each annual renewal. The amount of rent expense under this agreement was \$186,000 for each of the years ended December 31, 2007 and 2006. The Company has no guarantees related to this lease.

During the year ended December 31, 2003, the Company entered into an agreement with a company that is owned by Market America's controlling stockholders, to lease real estate in Greensboro, North Carolina for corporate functions. The monthly rent is \$12,750, and the lease has a 30-year term and two renewal options, each with a 30-year term. The amount of rent expense under this agreement was \$153,000 during each of the years ended December 31, 2007 and 2006. The Company has no guarantees related to this lease.

Other amounts due from officers and directors at December 31, 2007 and 2006 totaled \$386,392 and \$177,075, respectively. The noncurrent portion amounted to \$13,913 and \$26,241 at December 31, 2007 and 2006, respectively, and is included in other noncurrent assets.

Substantially all of the Company's leasehold improvements are to properties leased from related companies.

## **NOTE 7 • OPERATING LEASE COMMITMENTS**

The Company occupies leased premises in Greensboro, North Carolina, Miami, Florida, Canada, Australia, Hong Kong, and Taiwan. The Miami leases are with a related party (see Note 6); one beginning December 1999 with a twenty year term and one beginning June 2001, which is renewable annually over a thirty-two year term. The Company has ground leases with a related party (see Note 6); one beginning November 1998 for a 33-year period and one beginning March 2003 for a 33-year period. The Company also leases real estate in Greensboro, North Carolina from a related party beginning in March 2003 for a 30-year period. The Company also leases office space, warehouse space and automobiles from unrelated parties under long-term operating leases. Rent expense to unrelated parties was \$542,764 and \$586,420 for the years ended December 31, 2007 and 2006, respectively.

Market America Worldwide, Inc. And Affiliates  
**Notes To Consolidated Financial Statements**  
*December 31, 2007 And 2006*

*CONTINUED*

**NOTE 7 • OPERATING LEASE COMMITMENTS continued**

Future minimum rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows as of December 31, 2007:

	Related Parties	Unrelated Parties	Total
2008	\$ 1,419,000	\$ 304,390	\$ 1,723,390
2009	1,419,000	182,467	1,601,467
2010	1,419,000	153,334	1,572,334
2011	1,419,000	102,310	1,521,310
2012	1,419,000	-	1,419,000
Thereafter	<u>19,487,000</u>	<u>-</u>	<u>19,487,000</u>
Total future minimum lease payments	<u>\$ 26,582,000</u>	<u>\$ 742,501</u>	<u>\$ 27,324,501</u>

**NOTE 8 • INCOME TAXES**

As discussed in Note 1, the Company is assessed foreign income taxes on income from the Australia, Hong Kong, and Taiwan subsidiaries at rates in effect in Australia, Hong Kong and Taiwan, respectively.

Components of the income tax provision for the years ended December 31, 2007 and 2006 consist of the following:

	2007	2006
Currently payable	\$ 4,883,145	\$ 5,304,519
Deferred income tax	(56,455)	(10,465)
Adjustment of prior year's tax	<u>-</u>	<u>192,488</u>
	<u>\$ 4,826,690</u>	<u>\$ 5,486,542</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The sources of the temporary differences and their effect on deferred taxes are unrealized exchange losses and property and equipment. Current deferred tax assets are included in other current assets and noncurrent deferred tax assets are included in other noncurrent assets on the consolidated balance sheets.

Deferred tax amounts included in the consolidated balance sheet are as follows:

	2007	2006
Current tax asset – unrealized exchange loss	\$ 67,341	\$ 24,947
Noncurrent tax asset – property and equipment	<u>18,773</u>	<u>4,713</u>
	<u>\$ 86,114</u>	<u>\$ 29,659</u>

A reconciliation between income tax at the statutory rate and the tax currently payable is as follows:

	2007	2006
Tax on pretax income at statutory rates	\$ 4,848,775	\$ 5,484,663
<i>Add tax effects of:</i>		
Permanent differences	1,332	78
Miscellaneous	<u>(23,417)</u>	<u>1,801</u>
	<u>\$ 4,826,690</u>	<u>\$ 5,486,542</u>

Market America Worldwide, Inc. And Affiliates

# Notes To Consolidated Financial Statements

*December 31, 2007 And 2006*

*CONTINUED*

## **NOTE 9 • CONTINGENCIES**

The Company is involved in litigation arising in the ordinary course of business. Although litigation is subject to inherent uncertainties, the Company's legal counsel and management currently believe that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

## **NOTE 10 • FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, advances, note receivable and long-term debt approximate their respective fair values at December 31, 2007 and 2006. Fair values are based on quoted market prices or current interest rates available for those or similar instruments.

## **NOTE 11 • MAJOR PRODUCT AND SUPPLIER**

The Company's number one selling product is OPC-3, a powerful antioxidant. This product accounted for 16% of the Company's total sales during the years ended December 31, 2007 and 2006.

One of the Company's suppliers, Purity Technologies, Inc., a manufacturer of vitamin and nutritional products, supplies the Company with vitamin compounds and nutritional supplements. Sales of products purchased from this supplier accounted for 14% of the Company's total sales during the years ended December 31, 2007 and 2006. Although there are other suppliers of these products, a change in suppliers could cause a delay in shipments to customers, which could ultimately affect operating results.

## **NOTE 12 • SELF-INSURANCE PLAN**

The Company became partially self-insured for group health benefits insurance in November 1997. The Company's loss limit is \$65,000 per case. Stop-loss insurance is provided by a commercial insurer and is activated once the Company's expenditures total \$3,472,900 in the aggregate. A provision of \$222,884 and \$216,439 at December 31, 2007 and 2006, respectively, has been recorded to cover unreported claims.

## **NOTE 13 • DISCONTINUED OPERATIONS**

Miracle Distribution, Inc., a 100% owned subsidiary, ceased operations on January 1, 2007. At December 31, 2006, the only asset of Miracle Distribution, Inc. was cash of \$49,393. The only activity during fiscal year 2007 included distributions to the Company of \$49,393 to close the Company.

## **NOTE 14 • SUBSEQUENT EVENTS**

On January 1, 2008 the Company transferred Miracle Manufacturing, Inc., a 100% owned subsidiary, to the controlling stockholders of Market America. The Company is expected to continue to be the primary beneficiary of this entity and consolidated as a VIE in accordance with FIN 46R. There was no gain or loss recognized as a result of this transaction.

Subsequent to December 31, 2007 the Company entered into a commitment for certain leasehold improvements to the corporate headquarters in the amount of \$868,000.

# Market America, Inc.

## EXECUTIVE BOARD



**JR  
Ridinger**

PRESIDENT  
AND CEO



**Loren  
Ridinger**

SENIOR  
VICE PRESIDENT



**Marc  
Ashley**

CHIEF  
OPERATING  
OFFICER



**Marty  
Weissman**

EXECUTIVE  
VICE PRESIDENT



**Dennis  
Franks**

EXECUTIVE  
VICE PRESIDENT



**Joe  
Bolyard**

EXECUTIVE  
VICE PRESIDENT  
OF INTERNATIONAL  
DEVELOPMENT



**Kevin  
Buckman**

VICE PRESIDENT  
OF ONE-TO-ONE  
MARKETING  
AND FIELD  
TRAINING

## MANAGEMENT GROUP

### STEVE ASHLEY

EXECUTIVE DIRECTOR OF NMTSS

### PAT LANDRY, CPA

SENIOR CONTROLLER

### TED MEDINA, JD, MGA

GENERAL COUNSEL

### BRANDI QUINN

VICE PRESIDENT OF OPERATIONS

### STEVE RITCHIE

VICE PRESIDENT OF RESEARCH  
AND DEVELOPMENT

### ANTHONY AKERS

VICE PRESIDENT OF  
COMMUNICATIONS

### JULIAN BLUMENFELD, M.D.

CHIEF MEDICAL OFFICER

### ANDREW WEISSMAN

EXECUTIVE DIRECTOR  
OF FIELD DEVELOPMENT

### RICK WILLIAMS

PRESIDENT,  
MARKET AUSTRALIA

### EUGENE WALLACE

DIRECTOR OF  
PROJECT MANAGEMENT

## MEDICAL & SCIENTIFIC AFFAIRS



**JULIAN BLUMENFELD, M.D.**  
CHIEF MEDICAL OFFICER



**JIM WILMER, Ph.D.**  
CHIEF SCIENCE OFFICER



**MARK LANGE, Ph.D.**  
DIRECTOR OF QUALITY CONTROL

## AUDITORS

### DIXON HUGHES, PLLC

GREENSBORO, NC

## WORLD CORPORATE HEADQUARTERS

### MARKET AMERICA

1302 PLEASANT RIDGE ROAD  
GREENSBORO, NC 27409-9326  
[www.marketamerica.com](http://www.marketamerica.com)

### MARKET AUSTRALIA

UNIT 2/36 LIVERPOOL STREET  
INGLEBURN, NSW 2565  
[www.marketaustralia.com.au](http://www.marketaustralia.com.au)

### MARKET TAIWAN

20th FL. NO. 189 SEC. 2  
KEELUNG RD. TAIPEI,  
TAIWAN, R.O.C.  
[www.markettaiwan.com.tw](http://www.markettaiwan.com.tw)

### MARKET HONG KONG

UNIT 1615-1620 LEVEL 16,  
TOWER II GRAND CENTURY PLACE  
193 PRINCE EDWARD ROAD WEST  
MONGKOK, KOWLOON, HONG KONG  
[www.markethongkong.com.hk](http://www.markethongkong.com.hk)