# **EXHIBIT 1**

## JAMS ARBITRATION

QUIXTAR INC.

Claimant

VS.

File No. 1100052219 Linda Singer, Arbitrator

ORRIN WOODWARD, LAURIE WOODWARD, CHRIS BRADY, TERRI BRADY, WILLIAM FLORENCE, PEGGY FLORENCE, FLORENCE FAMILY ENTERPRISES, INC., DONALD WILSON NANCY WILSON, WOW INTERNATIONAL. INC., TIMOTHY MARKS, AMY MARKS, CHUCK CULLEN, NANCY CULLEN, KIRK BIRTLES, CASSANDRA BIRTLES. RANDY HAUGEN, VALORIE HAUGEN, FREEDOM ASSOCIATES, INC. I. FREEDOM ASSOCIATES, INC. II. JIM MARTIN, DOLORES MARTIN. ARON RADOSA, MARY RADOSA, CHUCK GOETSCHEL, COLLEEN GOETSCHEL, DAVID BRANDY, BENJAMIN J. DICKIE, BRUCE GILBANK, JESSILYN GILBANK and MIKE MARTENSEN,

Respondents

#### FINAL AWARD

#### Introduction

On August 17, 2007, Complainant Quixtar filed a Demand for Arbitration against the 31 Respondents, all former Quixtar distributors or Independent Business Owners ("IBOs"), listed in the caption. Respondents filed an Answer

and Counterclaim on October 18, 2007. Motions for preliminary injunctive relief and for summary judgment were filed at various times during the ensuing year and a half.

On March 24-26, 2008, the Arbitrator held a three-day hearing in Detroit. Michigan, on whether to extend a judicially imposed injunction against two of the Respondents, Orrin Woodward and Chris Brady. Between May 5 and June 14, 2009, the Arbitrator held a sixteen-day hearing on the merits, again in Detroit. All hearings, as well as many of the oral arguments on motions, were transcribed.

Rule 11.5.47 of Quixtar's Rules of Conduct, ("ROC") provides that, "Upon the unanimous written request by all parties, submitted to the Case Administrator in advance of the hearing, the Arbitrator may, but is not required to, provide a summary of reasons for the award." Although Quixtar requested such unanimous consent in advance of the 2009 hearing on the merits, Respondents declined to provide it. Consequently, this Award is limited to a summary of the procedural history of the arbitration and the dispositive orders, issued both before and after the hearing on the merits.

## Procedural History

## Claims and Counterclaims

Quixtar's claims may be summarized as follows:

- 1. Respondents breached their contracts with Quixtar, which include the ROC, by using Quixtar's trade secrets to promote competing businesses or products, disclosing proprietary information, disparaging Quixtar publically, competing with Quixtar, and encouraging or soliciting other IBOs to resign from Quixtar and compete with its business.
- 2. Respondents tortiously interfered with Quixtar's existing contracts.
- 3. Respondents tortiously interfered with Quixtar's advantageous business relationships.
- 4. Respondents misappropriated Quixtar's trade secrets.

Respondents' counterclaims were based on the alleged illegality and/or frustration of purpose of their distribution contracts and abuse of process.

## Preliminary Injunction

Following the hearing in March 2008, the Arbitrator extended, until the issuance of a final Award in this case, the portion quoted below of the preliminary injunction that had been issued by Kent County, Michigan Judge Sullivan on August 24, 2007, amended on August 28, 2007, and extended by Judge Sullivan on February 11, 2008:

[Respondents Woodward and Brady] are enjoined from soliciting. recruiting, or attempting to recruit other IBOs to compete with Quixtar's business.

For purposes of the extension of the preliminary injunction, "IBO" was defined as in Rule 6.5.2 as:

an IBO who is either currently registered [with Quixtar] or [had] been registered at any time within the past two calendar years.

"Compete" was defined as in Rule 6.5.1 as:

to own, manage, operate, consult for, be employed by, or participate as an independent distributor in (a) any other direct sales program using a multilevel or "network" marketing structure, or (b) any other enterprise that markets, through independent distributors, products or services functionally interchangeable with those offered or marketed by [Quixtar].

The Arbitrator declined to extend the remainder of Judge Sullivan's preliminary injunction.

## Stay of Arbitration

On September 22, 2008, Respondents Billy Florence, Peggy Florence, Chuck Goetschel, Tim Marks, Jim Martin, Dolores Martin, Don Wilson, Nancy Wilson, Randy Haugen, Valorie Haugen, Orrin Woodward, and Laurie Woodward ("the Georgia Plaintiffs") obtained an order from Chief Judge David E. Barrett of the White County, Georgia, Superior Court, staying this arbitration. The parties agreed to stay the arbitration as it related to those Respondents. The Arbitrator ordered that discovery and motions practice continue for the other Respondents. A hearing on the merits was scheduled for February, 2009.

The Arbitrator lifted the stay on January 19, 2009, after Quixtar had obtained a decision from the United States District Court for the Eastern District of Michigan ordering the parties to arbitration and Judge Barrett had lifted his injunction.

When the stay was lifted, some of the Georgia Plaintiffs argued that it would be unfair to proceed with the hearing scheduled for February without giving them additional time to prepare and file motions for summary disposition. They requested a 90-day continuance. The Arbitrator granted a postponement of the hearing until May 5, 2009, subject to allocating the costs associated with the postponement in the final Award, and permitted the Georgia Plaintiffs to file motions for summary disposition.

## Summary Disposition

As a result of omnibus motions for summary disposition, and of separate motions that were filed on behalf of each of the Respondents, the Arbitrator dismissed all claims against Mike Martensen and dismissed the following claims against all Respondents:

- 1. The portions of Claim I for Breach of Contract that alleged disparagement in violation of ROC 4.8.
- 2. The portions of Claim I for Breach of Contract that alleged prohibited competition as defined in ROC 6.5.1 (a) and 6.5.4.
- 3. The portions of Claim I for Breach of Contract that alleged violation of ROC 6.5.1 (b) and 6.5.4.
- 4. The portions of Claim I for Breach of Contract that alleged violation of prohibitions against solicitation, as defined in ROC 6.5.5 survived; however, the definition of "to Compete with the business of the Corporation" was restricted to the definition of "Compete" provided in ROC 6.5.1 (b).
- 5. Claim II for Tortious Interference with Existing Contracts.
- 6. Any claims for joint and several liability based on allegations of conspiracy.
- 7. All allegations based on complaints to state attorneys general.

All other motions for summary disposition were denied.

#### Fees and Costs

Before the hearing on the merits the parties stipulated that each would bear its own attorneys' fees and costs, with the exception of the costs associated with the postponement of the hearing from February to May, which were to be allocated by the Arbitrator in the Final Award.

#### Settlements

At the commencement of the hearing on the merits, and at various times during the hearing, the parties announced that settlements had been reached between Quixtar and various Respondents. Pursuant to the settlements the following Respondents were dismissed:

Billy Florence Peggy Florence Chuck Goetschel Colleen Goetschel Randy Haugen Valorie Haugen Don Wilson Nancy Wilson Florence Family Enterprises, Inc. WOW International, Inc. Freedom Associates, Inc., I Freedom Associates Inc., II.

## Dismissals during Hearing

On May 21, 2009, following the close of Quixtar's case, the Arbitrator granted Respondents' motion to dismiss all claims against Bruce and Jessilyn Gilbank. She also dismissed the claims for tortious interference with advantageous business relationships against Cassandra Birtles, Terri Brady, Nancy Cullen, Amy Marks, Delores Martin, Mary Radosa, and Laurie Woodward.

On June 3, 2009, the parties stipulated that Respondents' counterclaim for abuse of process would be dismissed with prejudice.

## Bankruptcy Stay

On May 26, 2009, the parties informed the Arbitrator that they had just learned that Respondents Chuck and Nancy Cullen had filed for bankruptcy. The Arbitrator imposed a stay of all arbitration proceedings against the Cullens.

#### Post-hearing Briefs

The parties filed post-hearing briefs on July 3, 2009. The record was closed as of that date.

## **Interim Award**

On July 24, 2009, the Arbitrator issues an Interim Award. The parties were given seven calendar days to submit any proposed correction of typographical, computational, or similar error. No such corrections were received.

## **AWARD**

Having given careful consideration to the voluminous record in this case. the Arbitrator makes the following Award:

- 1. Orrin and Laurie Woodward are liable to Quixtar for \$12,736,659. for soliciting other IBOs to resign from Quixtar and compete with its business.
- 2. Chris and Terri Brady are liable to Quixtar for \$9,578,756, for soliciting other IBOs to resign from Quixtar and compete with its business.
- 3. Timothy and Amy Marks are liable to Quixtar for \$3,533,230, for soliciting other IBOs to resign from Quixtar and compete with its business.
- 4. All other claims and counterclaims are dismissed.
- 5. No injunctive relief is awarded to any party.
- 6. The following parties each shall be liable to Quixtar for their portion of Quixtar's share of the total JAMS costs of \$68,139.50, which were associated with the postponement of the hearing:

Timothy Marks	\$2839
Jim Martin	\$2839
Delores Martin	\$2839
Orrin Woodward	\$2839
Laurie Woodward	\$2839

- 7. Timothy Marks shall reimburse Quixtar for \$54,347 of its expenses incurred in discovering his alias web-based emails.
- 8. The following parties are dismissed with no liability:

Kirk Birtles Cassandra Birtles Aron Radosa Mary Radosa David Brandy Benjamin L. Dickie.

9. The liability of Jim Martin and Delores Martin is limited to the liability for costs set forth in paragraph 6 above.

SO ORDERED.

August 7, 2009

Linda Singer line Linda R. Singer, Arbitrator

#### PROOF OF SERVICE BY EMAIL & U.S. MAIL

Re: Quixtar Inc. vs. Woodward, Orrin and Laurie, et al. Reference No. 1100052219

I, Amy Spain, not a party to the within action, hereby declare that on August 7, 2009 I served the attached Final Arbitration Award on the parties in the within action by Email and by depositing true copies thereof enclosed in sealed envelopes with postage thereon fully prepaid, in the United States Mail, at Boston, MASSACHUSETTS, addressed as follows:

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I declare under penalty of perjury the foregoing to be true and correct. Executed at Boston, MASSACHUSETTS on August 7, 2009.

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