

JAMS ARBITRATION

QUIXTAR INC. and)
AMWAY CORPORATION) **File No.:**
Claimants,)
vs.)
ERIC N. SCHEIBELER)
Respondent)

**STATEMENT OF CLAIMS AND REQUEST FOR IMMEDIATE INTERIM AWARD
GRANTING TEMPORARY AND PRELIMINARY INJUNCTIVE RELIEF**

CLAIMANT

1. Claimant Quixtar Inc. (“Quixtar”) is a corporation organized under the laws of the state of Virginia, having an address and principal place of business at 5101 Spaulding Plaza, Ada, Michigan 49355 and Claimant Amway Corporation (“Amway”) is a corporation organized under the laws of the state of Delaware, having an address and principal place of business at 7575 Fulton Street East, Ada, Michigan, 49355-7410. Amway and Quixtar may be contacted by telephone through their undersigned counsel.

RESPONDENT

2. Respondent Eric N. Scheibeler is a former Amway distributor. As used in this Statement of Claims and Request for Immediate Interim Award Granting Temporary and Preliminary Injunctive Relief (“Statement of Claims”) the terms “distributor” and “Independent Business Owner” (“IBO”) are synonymous. The term “distributorship” refers to the independent business operated by a distributor or IBO under contract with Amway or Quixtar. Respondent’s distributorship was terminated in approximately June of 1999.

Respondent's last known address is 544 Sand Hill Rd., Montoursville, Pennsylvania 17754, and his last known telephone number is 570-368-3013.

APPLICABLE ARBITRATION AGREEMENT

3. The applicable arbitration agreement (the "Arbitration Agreement") and the applicable arbitration rules (the "Arbitration Rules") are both contained within Rule 11 of the Amway Rules of Conduct, which is attached as Exhibit A in accordance with Arbitration Rule 11.5.6.1. The Arbitration Agreement is also included in two documents that were each signed by the Respondent on October 4, 1997: the Acknowledgement of Distributor Changes ("ADC") (attached as Exhibit B) and the Business Support Materials Arbitration Agreement ("BSMAA") (attached as Exhibit C). The Arbitration Agreement provides, in substance, that the parties shall submit, to binding arbitration in accordance with the Arbitration Rules, any claim or dispute arising out of or relating to an Amway distributorship or to the Amway Rules of Conduct.

BACKGROUND

4. Quixtar has operated a multilevel sales and marketing business since 1999 in North America. Quixtar sells a variety of products including cleaning products, nutritional products and health and beauty products, and is one of the largest online retailers among e-commerce sites, offering a unique business opportunity combining the efficiency of the Worldwide Web with the personal service of individual contact.
5. Amway has operated a multilevel sales and marketing business since 1999 in various foreign countries including Sweden. Amway, like Quixtar, sells a variety of products including cleaning products, nutritional products and health and beauty products.
6. Quixtar and Amway both originated from a business started in 1959 known as Amway Corporation. Since 1999, the North American business of the former Amway Corporation

is operated by Quixtar and the international business is operated by Amway. The two companies today combine to generate worldwide sales of about \$6 billion each year.

7. Respondent and his wife, Patricia Scheibeler ("Mrs. Scheibeler), were both Amway distributors between approximately November of 1989 and June 1999.
8. In March of 1999, Respondent sent a letter to many of his fellow Amway distributors announcing his and Mrs. Scheibeler's intentions to "go inactive" in the Amway business. The letter also expressed Respondent's numerous negative opinions about Amway and Amway executives.
9. Since at least August of 2001, Respondent has maintained one or more websites, including: <http://www.merchantsofdeception.com>, to express his negative opinions about Amway and Amway executives. Additionally, in 2004, Respondent published a book entitled, "*Merchants of Deception: An insider's look at the worldwide, systematic conspiracy of lies that is Amway / Quixtar and their motivational organizations,*" that is currently available for download at Respondent's website.

RESPONDENT'S MISCONDUCT

10. On or before March 8, 2006, Respondent wrote and sent a letter ("March 8th Letter") to the editor of *The Cleveland Free Times*. On March 8th, *The Cleveland Free Times* published, as a letter to the editor, at least a portion of the March 8th Letter, including an online posting ("March 8th Online Posting") at the following URL addresses:
<http://www.freetimes.com/>
<http://www.freetimes.com/modules.php?op=mollad&name=News&file=article&sid>
(attached as Exhibit D). The March 8th Online Posting included the following statements attributed to Respondent:

I inadvertently discovered and documented literally billions in systematic consumer fraud. Naively, thinking it was only being perpetrated by Kingpin distributors, I reported it directly to Amway/Quixtar senior management and

to Dick DeVos, who was then president and is the son of the billionaire founder (now running for governor of Michigan).

To my shock, I was told in a face-to-face meeting what gun would be used to kill me if I became a whistleblower and made waves. After a decade of diligent work, our sole income was shut off in an effort to starve me into silence. My wife and young son received death threats on the telephone, resulting in an FBI tap and trace on our line. A financial offer was made at the same time we were being pressured to sign a non-disclosure agreement. We refused and lost our home and medical insurance and had to declare bankruptcy. I have been advised that a private investigator was hired to follow me in an attempt to find information that would discredit my character.

11. On March 9, 2006, the online publication *Michigan Liberal* posted selected quotations from the March 8th Online Posting and a web link to the entire March 8th Online Posting at the following URL address: <http://www.michiganliberal.com/>
12. On March 12, 2006, the online publication *News Trove* posted selected quotations from the March 8th Online Posting and a web link to the entire March 8th Online Posting at the following URL address: http://gun_web.newstrove.com.
13. On or before April 3, 2006, Respondent conducted an interview ("April 3rd Interview"), via email, with Ronald Klinga, a journalist for the Swedish newspaper *Norrkopings Tidningar*. On or before April 3, 2006, *Norrkopings Tidningar* published an article in Swedish entitled, "*Eric förlorade 10 år av sitt liv till Amway*," the English translation of which is: "*Eric lost ten years of his life at Amway*." The article was posted ("April 3rd Online Posting") at the following URL address: http://www.nt.se/GEN_Utmatning.asp?ArticleID=1149880&CategoryID=345&ArticleOutputTemplateID=47&ArticleStateID=2&ParentID= (Swedish language posting attached as Exhibit E; English translation attached as Exhibit F). The April 3rd Online Posting attributed the following to Respondent:

When I, a person quite high up in the organization, discovered and documented the scam, I reported it to the highest echelon, Dick DeVos. That might have been quite naive. But I did it. The result was that I received a direct death threat. My wife and children have been threatened over the telephone. Amway also stopped my income flow in an attempt to silence me.

It is ironic, considering that my only aim in writing the book was to protect the distributors.

14. On April 7, 2006, Claimants' outside counsel, Mr. Timothy Q. Delaney ("Mr. Delaney"), mailed a letter ("April 7th Letter;" attached as Exhibit G) to Respondent at his home address via Federal Express. Delivery of the April 7th Letter was confirmed on April 8, 2006. The April 7th Letter identified at least some of Respondent's false and defamatory statements and requested that Respondent take immediate action to retract such statements and agree to cease and desist from making these and similar false statements. The April 7th Letter also requested that Respondent respond and provide evidence of his steps to correct the statements within 24 hours of receipt of the April 7th Letter. As of the filing date of this Statement, Respondent has not responded to Mr. Delaney or to any of Claimants' agents regarding the April 7th Letter, and Respondent has not provided any evidence as to his steps to correct the statements.

APPLICABLE RULES OF CONDUCT

15. The Arbitration Agreement provides that the parties shall submit, to binding arbitration in accordance with the Arbitration Rules, any claim or dispute arising out of or relating to an Amway distributorship, the Amway Sales and Marketing Plan or to the Amway Rules of Conduct. Respondent's false statements concern the Amway/Quixtar business and Respondent's former distributorship. Therefore, Respondent's statements are subject to the Arbitration Agreement.
16. The Arbitration Agreement also provides that a demand for arbitration shall be made within two years after the issue has arisen, but in no event after the date when the initiation of legal proceedings would have been barred by the applicable statute of limitations. This Statement of Claims is being timely made, as Respondent's statements occurred within the last two years.

CLAIM 1: DEFAMATION

17. Claimants incorporate by reference paragraphs 1 through 16 above as though fully set forth herein.
18. Respondent's statements include material that is false and defamatory concerning the Claimants.
19. Respondent's statements cast an aspersion upon the Claimants' business character and credibility.
20. Respondent's statements are classified as defamation per se by charging the commission of a crime.
21. Respondent made his statements to third parties in an unprivileged communication.
22. Respondent's statements were made with actual malice.
23. As a result of Respondent's defamatory statements, Claimants have suffered and continue to suffer special or actual damages in an amount to be determined.
24. Respondent's false statements constitute defamation under the statutory law and common law of the State of Michigan.
25. Claimants cannot be fully or adequately compensated solely through monetary damages for the irreparable harm and damage caused by Respondent's false statements.
26. Respondent is likely to continue making the false statements unless Respondent is temporarily, preliminarily, and permanently enjoined from making such statements.

WHEREFORE, pursuant to Rules of Conduct and Arbitration Rule 11.5.39, Claimants requests an immediate and Interim Award:

- (a) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from making the false statements identified above;
- (b) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding from disparaging Claimants, Claimants' current employees,

Claimants' former employees, and any other individuals associated with Claimants, or otherwise engaging in activities injurious to Claimants' reputation; and

(c) ordering Respondent to preserve and refrain from destroying, discarding, altering or deleting any evidence relating to the allegations in this Statement of Claims, including, but not limited to, any evidence stored on computers or computer-related media and/or equipment.

WHEREFORE, in addition, pursuant to Rule of Conduct and Arbitration Rule 11.5.46-49, Claimants request a Final Award:

(a) permanently enjoining Respondent from making the false statements identified above;

(b) permanently enjoining Respondent from disparaging Claimants, Claimants' current employees, Claimants' former employees, and other individuals associated with Claimants, or otherwise engaging in activities injurious to Claimants' reputation;

(c) ordering Respondent to pay Claimants' damages;

(d) ordering Respondent to reimburse Claimants for costs, fees and expenses in bringing this Arbitration proceeding; and

(e) providing such further and additional relief as may be just and proper.

CLAIM 2: BUSINESS DEFAMATION UNDER MICHIGAN COMMON LAW

27. Claimants reallege and incorporate paragraphs 1- 26 as if fully set forth herein.
28. Respondent's aforementioned statements constitute false and defamatory statements about Claimants.
29. Respondent's statements are unprivileged and have been made to one or more third parties.
30. Respondent's statements have been made at least negligently.
31. Respondent's statements have caused damage to Claimants.

32. Respondent's statements constitute business defamation under the common law of the State of Michigan.
33. Claimants cannot be fully or adequately compensated solely through monetary damages for the irreparable harm and damage caused by Respondent's false and defamatory statements.
34. Respondent is likely to continue making the false and defamatory statements unless Respondent is temporarily, preliminarily, and permanently enjoined from making such statements.

WHEREFORE, pursuant to Rules of Conduct and Arbitration Rule 11.5.39

Claimants request an immediate and Interim Award:

- (a) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from making the false statements identified above;
- (b) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from disparaging Claimants, or otherwise engaging in activities injurious to the reputation of Claimants; and
- (c) ordering Respondent to preserve and refrain from destroying, discarding, altering or deleting any evidence relating to the allegations in this Statement of Claims, including, but not limited to, any evidence stored on computers or computer-related media and/or equipment.

WHEREFORE, in addition, pursuant to Rule of Conduct and Arbitration Rule

11.5.46-49, Claimants request a Final Award:

- (a) permanently enjoining Respondent from making the false statements identified above;
- (b) permanently enjoining Respondent from disparaging Claimants, or otherwise engaging in activities injurious to the reputation of Claimants;
- (c) ordering Respondent to pay Claimants' damages;

(d) ordering Respondent to reimburse Claimants for costs, fees and expenses in bringing this Arbitration proceeding; and

(e) providing such further and additional relief as may be just and proper.

CLAIM 3: INJURIOUS FALSEHOOD UNDER MICHIGAN COMMON LAW

35. Claimants reallege and incorporate paragraphs 1- 34 as if fully set forth herein.
36. Respondent's published statements about Claimants are false and are harmful to Claimants' interests.
37. Respondent made the false statements with actual malice.
38. Respondent made the false statements intending to inflict economic harm on Claimants.
39. As a result of Respondent's wrongful interference, Claimants have suffered and continue to suffer damages in an amount to be determined.
40. Respondent's false statements constitute injurious falsehood under the common law of the State of Michigan.
41. Claimants cannot be fully or adequately compensated solely through monetary damages for the irreparable harm and damage caused by Respondent's false statements.
42. Respondent is likely to continue making the false statements unless Respondent is temporarily, preliminarily, and permanently enjoined from making such statements.

WHEREFORE, pursuant to Rules of Conduct and Arbitration Rule 11.5.39 Claimants request an immediate and Interim Award:

(a) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from making the false statements identified above;

(b) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from disparaging Claimants, or otherwise engaging in activities injurious to the reputation of Claimants; and

(c) ordering Respondent to preserve and refrain from destroying, discarding, altering or deleting any evidence relating to the allegations in this Statement of Claims, including, but not limited to, any evidence stored on computers or computer-related media and/or equipment.

WHEREFORE, in addition, pursuant to Rule of Conduct and Arbitration Rule 11.5.46-49, Claimants request a Final Award:

(a) permanently enjoining Respondent from making the false statements identified above;

(b) permanently enjoining Respondent from disparaging Claimants, or otherwise engaging in activities injurious to the reputation of Claimants;

(c) ordering Respondent to pay Claimants' damages;

(d) ordering Respondent to reimburse Claimants for costs, fees and expenses in bringing this Arbitration proceeding; and

(e) providing such further and additional relief as may be just and proper.

CLAIM 4: TORTIOUS INTERFERENCE WITH EXISTING CONTRACTS

43. Claimants incorporate by reference paragraphs 1 through 42 above as though fully set forth herein.
44. Claimants have a valid distributorship agreement with every current IBO, and Respondent is aware of such agreements.
45. Respondent has intentionally interfered, through improper means such as false and defamatory statements, with Claimants' existing contracts with distributors by inducing those distributors to diminish their efforts on behalf of Claimants or to terminate their distributorship agreements with Claimants.
46. There is no legal justification for Respondent's interference.

47. As a result of Respondent's wrongful interference, Claimants have suffered and continue to suffer damages in an amount to be determined.
48. Respondent's false statements constitute tortious interference with existing contracts under the common law of the State of Michigan.
49. Claimants cannot be fully or adequately compensated solely through monetary damages for the irreparable harm and damage caused by Respondent's false statements.
50. Respondent is likely to continue making the false statements unless Respondent is temporarily, preliminarily, and permanently enjoined from making such statements.

WHEREFORE, pursuant to Rules of Conduct and Arbitration Rule 11.5.39

Claimants request an immediate and Interim Award:

- (a) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from inducing or attempting to induce distributors to diminish their efforts on behalf of Claimants or to terminate their distributorship agreements with Claimants; and
- (b) ordering Respondent to preserve and refrain from destroying, discarding, altering or deleting any evidence relating to the allegations in this Statement of Claims, including, but not limited to, any evidence stored on computers or computer-related media and/or equipment.

WHEREFORE, in addition, pursuant to Rule of Conduct and Arbitration Rule 11.5.46-49, Claimants request a Final Award:

- (a) of compensatory damages upon the evidence adduced;
- (b) permanently enjoining Respondent from inducing or attempting to induce distributors to diminish their efforts on behalf of Claimants or to terminate their distributorship agreements with Claimants;

(c) ordering Respondent to reimburse Claimants for its costs, fees and expenses in bringing this Arbitration proceeding; and

(d) awarding such further and additional relief as may be just and proper.

CLAIM 5: TORTIOUS INTERFERENCE WITH ADVANTAGEOUS BUSINESS RELATIONSHIPS

51. Claimants reallege and incorporate paragraphs 1 through 50 as if fully set forth herein.
52. Claimants have a valid business relationship with every current IBO. In addition, there is, and has been at all times relevant to this claim, a reasonable probability that many of those IBOs will continue their distributorships and expand their sales of Claimants' products and services.
53. There is, and has been at all times relevant to this claim, a reasonable probability that Claimants will enter into new contracts and/or business relationships with numerous IBOs in the future, largely as the result of efforts by existing distributors and IBOs.
54. Respondent knows of, and at all material times has been aware of, these relationships and expectations.
55. Respondent has intentionally interfered with Claimants' continuing relationships with its distributors and with new relationships with IBOs by inducing or causing them to terminate, diminish, and/or forego their business relationships with Claimants.
56. There is no legal justification for Respondent's interference.
57. As a result of Respondent's wrongful interference, Claimants have suffered and continue to suffer actual and consequential damages in an amount to be determined.
58. Respondent's false statements constitute tortious interference with advantageous business relationships under the common law of the State of Michigan.
59. Claimants cannot be fully or adequately compensated solely through monetary damages for the irreparable harm and damage caused by Respondent's false statements.

60. Respondent is likely to continue making the false statements unless Respondent is temporarily, preliminarily, and permanently enjoined from making such statements.

WHEREFORE, pursuant to Rules of Conduct and Arbitration Rule 11.5.39

Claimants request an immediate and Interim Award:

(a) enjoining Respondent temporarily and preliminarily during the pendency of this Arbitration proceeding, from inducing or attempting to induce new and current distributors to terminate, diminish, and/or forego business relationships with Claimants; and

(b) ordering Respondent to preserve and refrain from destroying, discarding, altering or deleting any evidence relating to the allegations in this Statement of Claims, including, but not limited to, any evidence stored on computers or computer-related media and/or equipment.

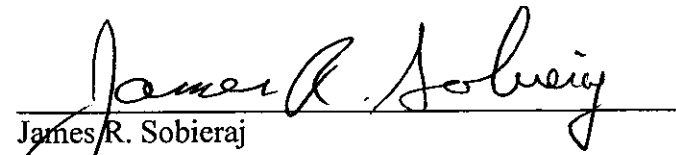
WHEREFORE, in addition, pursuant to Rule of Conduct and Arbitration Rule 11.5.46-49, Claimants request a Final Award:

(a) awarding compensatory damages upon the evidence adduced;

(b) permanently enjoining Respondent from inducing or attempting to induce new and current distributors to terminate, diminish, and/or forego business relationships with Claimants;

(c) ordering Respondent to reimburse Claimants for their costs, fees and expenses in bringing this Arbitration proceeding; and

(d) awarding such further and additional relief as may be just and proper.



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